

Paris Spurns Italians and Belgians for Nuclear Vote

Allies' Action in UN To Condemn Testing Arouses French Anger

By Craig R. Whitney  
New York Times Service

PARIS — France angrily canceled meetings with the leaders of Italy and Belgium on Friday because their countries had voted for a United Nations resolution strongly deploring French and Chinese nuclear testing.

The resolution called for an immediate end to nuclear testing, which has been conducted only by France and China this year. Ten European Union countries voted for the measure, but France singled out Italy and Belgium, both members of the European Union and the North Atlantic Treaty Organization, to show its displeasure. President Jacques Chirac was to meet with the leaders of both countries next week.

Catherine Colonna, Mr. Chirac's spokeswoman, said that he had decided to postpone a meeting with the Belgian prime minister, Jean-Luc Dehaene, on Wednesday and call off a summit with the Italian prime minister, Lamberto Dini, in Naples next Friday.

"The circumstances were not appropriate," Ms. Colonna said Friday afternoon.

Italy, Belgium, the Netherlands, Portugal, Ireland, Sweden, Finland, Austria, Luxembourg and Denmark were among 95 countries that voted for a resolution by a United Nations committee deploring all current nuclear testing. Germany, Spain and Greece abstained, as did the United States. Britain and France were among the 12 countries that voted against the resolution.

Mr. Chirac resumed French testing in the South Pacific in September but said France would sign a comprehensive test ban treaty and make the current series of tests its last. They will end early next year, Mr. Chirac says, after France has tested a new warhead for its submarine-based nuclear deterrent and acquired the capability of simulating future tests by computer.

"We deplore the position taken by some European nations, particularly our partners

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PARIS PROTEST — French students using a coffin Friday to symbolize the failing health of their universities. Page 2.

Hint of Clinton Budget Concession

Compiled by Our Staff From Dispatches

WASHINGTON — The political test of strength over the federal budget showed signs of easing Friday even as President Bill Clinton prepared to veto the latest Republican plan to put the government back in business.

The first breath of compromise came from the Senate Democratic leader, Tom Daschle, who said Mr. Clinton might be willing to back off from his demand for a temporary government finance bill without any Republican strings attached.

He predicted that "a middle ground" would be found in the dispute.

But there were perhaps as many negative signs as positive. The White House said Mr. Clinton would veto a military spending bill that was larger than he wanted, and the House

adopted and sent to the Senate on Friday a balanced-budget bill that the president has also vowed to veto as "bad for America."

The long-term House budget bill would cut \$1 trillion in spending to achieve a balanced budget by 2002. It was approved, 237 to 189, with the vote split nearly along party lines.

For the impasse to end, Mr. Daschle said, Republicans would have to move away from their "hard-core, hard-line" dictates for a seven-year balanced budget that would force deeper spending cuts than Mr. Clinton wants.

Some analysts saw a hint of compromise in the low-key orchestration of Mr. Clinton's veto of a temporary financing bill

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Top U.S. Officials Join Bosnian Talks in Sign Of Hope for Accord

Compiled by Our Staff From Dispatches

DAYTON, Ohio — Stirring hopes for peace, the Clinton administration brought top military officials here Friday to review what could be the makings of a comprehensive agreement on ending the war in Bosnia.

But the White House cautioned against assuming a deal was at hand.

Amid the flurry of activity, there were sharply different assessments within the administration of how close the parties were to an agreement.

Two military officials said the hope was to announce initialing of an agreement Sunday night or Monday.

The White House spokesman, Michael McCurry, said: "We're not at a stage yet where we can be optimistic or pessimistic. They're wrestling with the most difficult issues. I don't think there's any guarantee of success."

Defense Secretary William J. Perry and the top NATO commander joined the talks Friday at Wright-Patterson Air Force Base near Dayton, and Secretary of State Warren M. Christopher was en route after cutting short a visit to Japan. A source close to the talks said there was a strong possibility that President Bill Clinton would fly to Dayton if a peace agreement is reached.

Mr. Clinton's national security adviser, W. Anthony Lake, secretly flew here Thursday evening for separate meetings with the leaders of the Muslim, Serbian, and Croatian delegations, who have been holed up with U.S. and European negotiators for the past two weeks at the air base.

In another hopeful sign, President Franjo Tudjman of Croatia said Friday that Serbia and Croatia had agreed to fully normalize ties.

Despite the latest involvement of top-level Clinton administration officials, the State Department was cautious in its public comments on Friday.

"I can tell you, after discussions with participants in the talks this morning, that that agreement is not yet attained," said the State Department spokesman, Nicholas Burns. He said "the parties are still separated in fairly substantial ways on several of the major issues."

He cited territorial questions as well as the status of Sarajevo.

An administration official said Mr. Clinton's decision to dispatch Mr. Lake and Mr. Perry was a positive sign. This official described the talks as being narrowed to "a couple of map issues."

Still outstanding was the Serbs' insistence on a corridor that gives them access to the Adriatic to the south and Serbia to the north.

The emerging agreement is a package deal that will preserve Bosnia as a unified state in theory, while in effect dividing the country almost equally into separate entities controlled by a Muslim-Croatian federation and the Bosnian Serbs. Sources close to the talks said that the capital, Sarajevo, is likely to be given a special status as a unified city divided into approximately 10 districts, each with the power to control its own affairs. (AP, WP)

Reuters reported from Zagreb: President Tudjman said Friday that Serbia and Croatia had agreed to fully normalize ties four years after Zagreb's secession from former Yugoslavia.

He said in a televised address that the agreement would be signed in the United States after a final Bosnian deal had been sealed.

Lubbers Veto Is Linked to Concern Over Balkan Force

By Joseph Fitchett  
International Herald Tribune

PARIS — The Clinton administration vetoed Ruud Lubbers, the former Dutch prime minister, to be NATO's secretary-general, even at the price of trans-Atlantic diplomatic strains, because of U.S. concern about the perils of a planned peacekeeping mission in Bosnia.

Policymakers in Washington concluded that Mr. Lubbers was "too woolly minded" for the job, in one official's phrase, considering that U.S. ground troops are about to join the alliance's biggest combat operation.

The Clinton administration, faced with congressional doubts about the Bosnian mission, wants the alliance's civilian leader to be someone who can communicate effectively in Washington.

In addition, American officials want a strong-minded NATO secretary-general who will brush off political interference by the United Nations or anybody else once allied troops are deployed in Bosnia.

It was mainly because Mr. Lubbers failed to convince Washington that he could deliver in these respects — and not pique over the fact that European governments went public about their desire to see him get the job — that the Clinton administration balked, U.S. officials said.

"Frankly, he bombed in the talks," an official said.

Several Clinton administration aides said that Mr. Lubbers sowed doubts, particularly in the Pentagon, that he had the military credibility and personal decisiveness to sustain backing for the North Atlantic Treaty Organization in Bosnia if allied forces started incurring casualties.

The White House concluded that Mr. Lubbers might be a liability in its campaign to win congressional backing. That domestic priority outweighed State Department concern about offending the European allies.

In Washington these days, an official said, "Europe is Bosnia and Bosnia is Europe." That mood had escaped European leaders, but partly because the Clinton administration failed to signal its views adequately.

Part of the problem, a defense official said, arose from the fact that "almost no one on the Clinton team knew either candidate." Both Mr. Lubbers and the other candidate, Uffe Ellermann-Jensen, the former Danish foreign minister, were in office during

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The Irish and Divorce: Divisiveness Tears at Nation

By Fred Barbash  
Washington Post Service

DUBLIN — In 1937, when Ireland wrote its constitution, it intertwined the law of the Roman Catholic Church and the law of the state in a marriage that the country's founding fathers hoped would never be torn asunder.

Since that time, successive generations have battled over disentangling the two, with each side winning some and losing some. Last year, the issue was a law allowing women access to information about abortion, which itself is illegal.

Now they are engaged in struggle once again: this time over lifting the constitution's ban on divorce, despite the church's teachings against it. The issue will be decided in a referendum Friday, and this battle already has shown it may be the most passionate yet — as well as very close.

Every day, new placards go up. Every night, new debates appear on television. Each separated woman in favor of legalizing divorce is matched by another opposed, with an equally sad tale to tell. For very study, there is an interpretation and a counterinterpretation. While all the major parties are formally in favor of a "yes" vote, many of individual members are not. The constitutional amendment would permit divorce for couples separated for one of the previous five years.

Across the country, pros, cons and undecideds are gathering to argue. Dropping in on Templeogue, a southern suburb of Dublin, one can hear in their voices, and tell by their questions, that this is not only about divorce, or about the "limbo" status of 80,000 people separated from their spouses, or about the unknown numbers of people in "second relationships" unable to remarry because they cannot legally sever their first marriage.

Listening to them in Templeogue, it is apparent that this is also about the fabric of a nation.

On the one side: If we say "yes," will it not destroy the Irish family and devalue the sacred institution of marriage? Will it not break up family farms, impoverish women and reward deserting fathers?

On the other: If we say "no," won't it condemn thousands to a continued life in limbo? Won't it violate equally sacred individual rights of free choice?

Indeed, support for legalizing divorce is falling. A poll published Friday in the Independent said only 47 percent of the electorate would vote to end the ban, a fall from 62 percent in a month. The poll said

39 percent would vote against, while 14 percent were undecided.

Reuters reported from Dublin: The Irish Supreme Court ruled Friday that the government was in breach of the constitution in spending money to publicize the divorce referendum, Reuters reported from Dublin.

The court ruled in favor of an appeal by a member of the European Parliament from the Greens party, Patricia McKenna, who challenged a government decision to spend \$800,000 to publicize the referendum. She said the campaign favored a "yes" vote.

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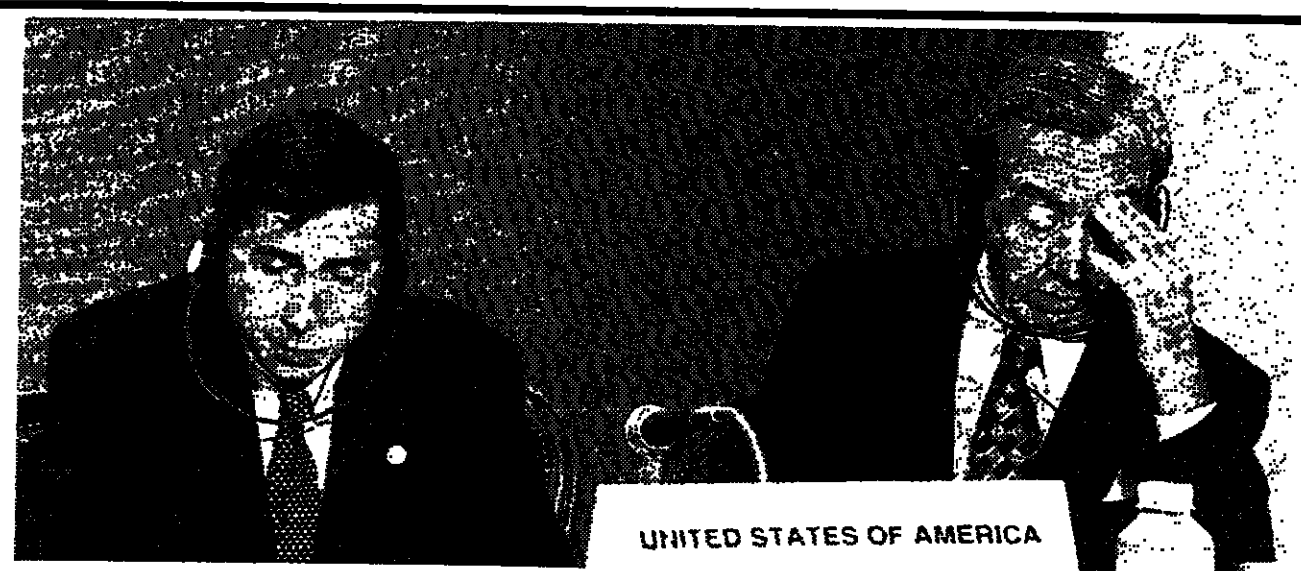
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WASHINGTON (AP) — Two days after canceling a trip to Japan, President Bill Clinton on Friday expressed his "personal regret and outrage" over the rape of an Okinawan girl for which three U.S. servicemen have been arrested.

Hoping to soothe hurt feelings in Tokyo over the cancellation, the president also promised to visit Japan "as quickly as I can."

Mr. Clinton had planned to use the trip to express remorse for the Okinawa incident. "On behalf of the American people, we want the Japanese people to know we share their outrage and their pain and I want to express my personal regret and outrage to the family and the young woman and to all the people of Okinawa," Mr. Clinton said. "It's a terrible thing."



APEC POSITIONING — Mickey Kantor, U.S. trade chief, left, and Warren Christopher, secretary of state, reviewing a statement that the forum will send to Sunday's meeting of Asian and Pacific leaders in Osaka, Japan. Page 15.

Subway Madness: Beijing's Growing Pains Ring Out Underground

By Patrick E. Tyler  
New York Times Service

BEIJING — "Hey, don't you know how to ride a train?" the woman on the Beijing subway yelled as she pushed past two peasants so overloaded with luggage that they were blocking the door. "Move over and make room for those of us who want to get off!"

It is rush hour in the Chinese capital and the people of Beijing, like so many surly sardines, are trying to get in and out of their frightfully overcrowded subway system.

Riding on a mere 40 kilometers of underground track, the dilapidated trains of the Beijing subway carry 1.46 million people a day. About 70 percent of them are the transient laborers who have flooded the

city to work at thousands of construction sites. The average railcar here, designed to carry 180 people, now consumes about 300 passengers during rush hour.

Full body contact and brief, terrifying stampedes for the door are part of commuting life, along with stale air and, perhaps, the whiff of a cow party still wedged in the shoe leather of a visiting farmer.

"Most of the young women in my hospital don't take the subway because so many country bumpkins ride the subway and they wear dirty clothes and carry dirty luggage," said Zhang Mei, a 27-year-old nurse from Beijing Hospital. "You can't wear your pretty clothes and take the subway. By the time you get to work, your pretty clothes are filthy."

Her eyes narrowed as she spied her adversary.

"Look at those teenagers," she said. "They are the typical bumpkins I am talking about."

The unkempt teenagers are from Sichuan Province, population 105 million. Their hair stands as a tangled rebellion above ruddy cheeks. Each carries a quilt stuffed in a plastic fertilizer bag, standard luggage for frugal peasants who do not mind sleeping on sidewalks.

"We are all from Sichuan, but I don't want to give you my name," a 19-year-old said. "We do odd jobs and we live near the railway station," he added, quickly disappearing into the crowd.

With the harvest over, the migrant population flooding into Beijing will push toward the 2 million mark. The capital's public transportation system, already overloaded, is approaching its limits.

"This job can be very tough," said Qi Yuan, who wore a smart, aquamarine uniform on the platform at a subway stop named Build the Nation. Her job is to yell at passengers to "Hurry up!" and "Don't push!" as they enter and leave trains. When the doors stop banging against the body parts hanging over the threshold, Ms. Qi holds up a green paddle that serves as the "all clear" signal to the train conductor.

"When a train comes in, so many people rush the entrance that it can be dangerous," she said. "A lot of these country people simply don't know the safety rules and sometimes they get into fights over the seating."

Many residents of Beijing attribute much of the

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Dow Jones	Trib Index
Up 20.59	Up 0.40%
4989.95	126.33
The Dollar	
New York	1.4073
DM	1.5433
Pound	1.5559
Yen	102.15
FF	4.8482

Newsstand Prices	
Andorra	10.00 FF
Antilles	12.50 CFA
Cameron	1.600 CFA
Egypt	1.000 FF
France	10.00 FF
Gabon	1.100 CFA
Greece	350 Dr.
Italy	2.800 Lire
Ivory Coast	1.250 CFA
Jordan	1.250 JD
Lebanon	1.500 L.L.
Luxembourg	65 L.
Morocco	14 Dh
Qatar	1.000 Riels
Reunion	12.50 FF
Saudi Arabia	10.00 FL
Senegal	1.100 CFA
Spain	225 PTAS
Tunisia	1.250 Din
Turkey	1.000 Liras
U.A.E.	10.00 Dirh
U.S. Mil.	1.000 Dirh

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# Clashing Styles Mark Polish Presidential Face-Off

By Christine Spolar  
Washington Post Service

**WARSAW** — To see and hear President Lech Walesa and his post-Communist challenger, Aleksander Kwasniewski, debate Poland's future, one would think they were political brethren: both want to move toward a free market, both seek the stamp of NATO and European Union approval, both demand faster privatization.

But then Mr. Walesa looks into the television cameras, assumes an exaggerated pout and says that he fears a Bolshevik, a criminal, a villain among the crowd. Mr. Kwasniewski ignores the gibe and continues, articulately if somewhat doggedly, to assert that he can best lead Poland beyond the past.

Six years after the fall of communism, in their second free presidential

election, Poles are facing a referendum Sunday not on democracy or its reforms, but on memory.

And the contest, firmly rooted in democratic principles, remains too close to call, surveys indicate.

Despite campaign oratory that warns darkly of a return to Communist times, change is not at stake here. Neither is ideology nor the commitment to democracy. Instead the vote has pushed Poles to turn private misgivings into a public question of confidence. What should they remember and whom can they trust?

"It's not a question of them going back," said a longtime Western diplomat. "Rather, people have chosen this as a face-off. Perhaps because they need a face-off to sort things out. They have 45 years of baggage."

This last round of Walesa vs. Kwas-

niewski has set off, in the final two weeks of campaigning, an unnerving, nasty and sometimes contradictory examination of values in the country that lit the flame of revolutionary fire in Eastern Europe.

By their very natures, the candidates — the graying, portly, earthy Mr. Walesa and the savvy, tanned, facile Mr. Kwasniewski — are confounding the natural instincts of voters in a country once hamstrung by Soviet inefficiencies and now leading among the region's emerging markets.

Five years ago, the second-round choice was between the Solidarity trade union hero, Mr. Walesa, and a nationalist unknown, Stan Tyminski. Then, voting for Mr. Walesa meant to fight against evil, as a pollster, Lena Kolarska-Bobinska, said this week.

But now, she said, "even for those

who are anti-Communist, Aleksander Kwasniewski appeals as a tamed evil."

Indeed, Mr. Kwasniewski will emerge a winner even if his candidacy fails. He garnered 6 million votes in the first round. Since 1993, when his coalition won overwhelmingly in Parliament, he has shored up his base as a legitimate alternate to the right. And he has laid the groundwork for another run in five years.

Mr. Walesa, the 52-year-old electrician turned statesman, made a remarkable comeback Nov. 5 after bottom-rung popularity ratings through his presidency. In the first round, in which 13 candidates competed, both men won nearly the same percentage, with Mr. Kwasniewski slightly on top with 35 percent of the returns.

The latest surveys show that the

race is too close to call. As much as 63 percent of the nation's 28.5 million voters are expected to go to the polls.

In the end, Poles have asked for a showdown between two candidates vastly different in image and background, which perhaps explains why both men have large negative ratings among prospective voters.

Mr. Walesa, the Nobel laureate who personified the struggle against the Communist regime, has repelled supporters by his confrontational style of governing and a sometimes bullheaded refusal to admit mistakes.

Mr. Kwasniewski, 41, a member of the Communist Party until the system collapsed around him, has emerged as the most accomplished of his Democratic Left Alliance coalition, a distinction that has earned him antipathy from rightist and centrist followers.



**ATHENS JAIL RIOT** — Inmates wearing protection against tear gas being used by Greek police Friday, the fourth day of a revolt at the Korydallos prison. Also Friday, a foreign inmate was hanged and burned by the rioters.

## French Students Press For Money, Not Marx Paris Protest Targets Budget

By Craig R. Whitney  
New York Times Service

**MARNE-LA-VALLEE, France** — In 1968, French students took to the streets and nearly made a revolution. In 1995, they are taking to the streets again — for more professors, bigger classrooms and better libraries from the government so they can study harder and find good jobs.

That is the message from the barricades around the architecturally stunning cantilevered and glass-paneled buildings of the new university here. And it is essentially the same in some 15 other French universities on strike this month for better working conditions.

Not Marxism, but more money for alma mater is what

French students want in these budget-cutting days, reflecting a revolution of a different sort that began in higher education in France and much of the rest of Europe after 1968. Then, there were 300,000 students in French universities. Today, there are 1.5 million, and many of the 79 state-funded universities are bursting at the seams.

The university administration agrees that the campus needs more nonteaching administrative personnel and more permanent professors, and the strikes here and elsewhere have been low-key, with most classes continuing despite the occupations of university buildings.

This week the lecture halls here were packed with students plotting the most effective strategy to get more money for their studies out of the Education Ministry in Paris, where thousands of them will converge on Tuesday to step up pressure to make the minister, François Bayrou, come up with more money.

France will spend 43 billion francs (\$8.6 billion) on the universities this year, only 4 percent more than in 1994, though there are about 5 to 6 percent more students. All they pay is their own room and board, books, and a 670-franc (\$135) annual registration fee. Tuition is free.

So when unemployment started hitting double-digit levels in the early 1990s, many high school graduates who might have pounded the pavements in a good job market started hitting the books instead.

The result was explosive growth at universities like this one, which opened in 1989 with 166 students and 14 teachers and administrative personnel. This year there are 5,903 students and 347 teachers and nonteaching personnel — not enough, many students say.

Overcrowding is also a problem in Germany and other European state-funded university systems where the only admissions requirement is a high school diploma.

Socialist governments in the late 1980s and early 1990s increased the education budget by 10 percent a year in some years. But President Jacques Chirac's conservatives have limited the increases in the past two years to just above the rate of inflation.

So on Friday the entrance halls of the main administration building at Marne-la-Vallée were festooned with banners like this one: "Spare some change to continue our studies."

"I think we have a problem of budget growth," said Bernard Dismont, a senior official of the Conference of University Presidents in Marne-la-Vallée, "but what the students want is unrealistic."

## Germans to Keep Eye on Russia

**FUERSTENFELDBRUCK, Germany** — Russian troop and weapon movements will continue to be watched by Germany after Moscow became a technical violator of a European arms control agreement Friday.

Military sources at this German air base said that Moscow had already agreed to allow Germany, the only Western country carrying out monitoring flights over Russia, to make at least six more flights next year.

Russia moved into violation of the Conventional Forces in Europe treaty by failing to agree to reduce its military border strength before the Friday deadline.

(Reuters)

## Argentina to Give Italy Ex-Nazi

**ROME** — A former Nazi SS officer, Erich Priebke, will be flown under police escort to Italy next week to face a war crimes trial after he lost his fight against extradition from Argentina, official Italian sources said Friday.

They said the 82-year-old former captain, who was sought on charges of crimes against humanity, would be put on a special flight from Argentina on Monday and arrive in Italy on Tuesday.

Mr. Priebke, who has lived openly in the Andean ski resort of Bariloche since 1948, is wanted for the massacre of 335 men and boys at the Ardeatine Caves just south of Rome in March 1944.

(Reuters)

## Italian Party Threatens to Bolt

**ROME** — Italy's federalist Northern League walked out of the Senate during a budget debate Friday in a dispute over immigration, and a party leader said it could pull out of Parliament as the next step.

The threat by Francesco Tabellini, Northern League leader in the upper house, raised the stakes in a political debate over how tough to get on illegal immigrants. They are blamed by the party for a rise in crime.

He said the party would decide its next step at a meeting of its self-styled "northern parliament" Saturday.

(Reuters)

## Britain Tries to Spur Ulster Talks

**LONDON** — Britain tried to pump new life into the Northern Ireland peace process Friday, freeing more than 80 Catholic and Protestant prisoners and announcing that it had new proposals to put to the Irish government.

Aides to Prime Minister John Major said the proposals would probably be sent to Prime Minister John Bruton during the weekend and were intended to start a twin-track approach to the peace process.

The proposals could pave the way for a British-Irish summit meeting, which was postponed at the last minute in September, much to the annoyance of Britain. It accused Dublin of caving in to pressure from Sinn Féin, the political wing of the Irish Republican Army.

(Reuters)

## Judge Removed in Berlin Case

**BERLIN** — A Berlin court removed the presiding judge in the manslaughter trial of East Germany's last hard-line Communist leader, Egon Krenz, on Friday upholding a defense allegation that he was biased.

The defense objected to Judge Hansgeorg Braeutigam after he agreed to upgrade the charges against Mr. Krenz and five other former East German leaders. They are accused of responsibility for the deaths of refugees fleeing over the Berlin Wall.

The trial, which began Monday, was adjourned for a week after just five minutes to allow another court to examine the allegations.

The court upheld the objection by a defendant, the former Politburo spokesman Ginter Schabowski, against Judge Braeutigam but rejected another by Mr. Krenz that two of the head judge's colleagues were also biased.

(Reuters)

## TRAVEL UPDATE

### Sweden Is Stilled by Snowstorms

**STOCKHOLM (Reuters)** — The worst snowstorms for more than two decades struck western Sweden on Friday, closing schools and offices and bringing road, rail and air traffic to a virtual standstill, officials said.

Emergency services said that in the western city of Gothenburg and surrounding areas, cars were trapped on highways, trains stopped in their tracks and power lines toppled. At least 70,000 households were without power.

Ferry traffic to neighboring Denmark stopped, scheduled operations at hospitals were canceled and police stations were short of staff because the weather. Military vehicles were used to clear the snow.

A blizzard also struck much of Denmark on Friday, forcing a change in plans for the wedding Saturday of Prince Joachim and a Hong Kong economist, Alexandra Manley. The couple had been scheduled to ride through the city in an open landau, but palace officials were expected to substitute a closed carriage.

### Chinese Touts Laser Landing System

**BEIJING (Reuters)** — China has developed a laser-assisted ground control system to ensure the safe landing of aircraft, among the first in the world, the Xinhua news agency said on Friday.

The system promises safe landings in even in inclement weather, and thus can improve flight punctuality, the agency said. Fixed on either side of the runway, the laser equipment can emit a light beam that can be seen by a pilot at altitudes of 8,000-10,000 meters even at night or in foggy weather, Xinhua said. A five-year trial at Shanghai's Hongqiao airport showed that the system was twice as effective as ordinary landing systems. The laser system is expected to be widely applied in other Chinese airports, it said.

United Airlines has found that a favorite occupation of passengers is looking out the window for a glimpse of their homes. A Harris survey commissioned by United found that 45 percent of people who look out the window try to pick out their homes, but only 29 percent are successful. The survey, which dealt with some of the less-than-burning issues facing air travelers, also found that 38 percent never use the lavatory during a flight. Two-thirds prefer eating free peanuts. 26 percent would rather have pretzels, and the rest are not able to make up their minds.

Italian buses, subways and local rail lines closed Friday morning for four hours, paralyzing traffic in cities across the nation as thousands of commuters took to their cars. The national labor federations called the strike to protest government plans to cut pension benefits. Sporadic transportation strikes are also scheduled for Dec. 5 to 7.

(AP)

## RELIGIOUS SERVICES

<b>AMSTERDAM</b> CROSSROADS INTERNATIONAL CHURCH Interdenominational and Evangelical Sunday Service 10:30 a.m. & 11:20 a.m. / Kids Welcome. De Oudekerk 3, Amsterdam. Info: 020-40-15316 or 020-64-3199.	<b>ZURICH-SWITZERLAND</b> ENGLISH-SPEAKING CATHOLIC MESSCHEN St. Anton Church, Minsterstr. 63, near Kreuzplatz. Services conducted in English. Sunday Mass: 8:30 a.m. & 11:20 a.m. Services are in the crypt of St. Anton Church. UNITARIAN UNIVERSALISTS BARCELONA: 03 723-0155. BERLIN: 03 690 0226. BRUSSELS: 021 281 718. KANSAS/LAUREL: 0531-47633. MUNICH: 089 582 9755. NETHERLANDS: 070 548757. PARIS: 30 22 73 33. SWITZERLAND: 052 213 7333. WISBADEN: 05122 72103. For info on other areas in Europe, write: EUU c/o Hertz, Frydenlundvej 49, DK-2650 Vedbaek, Denmark. Fax: +45 (45) 42 85 4184. INTERNET: ghariz@eurolink.dk	<b>EUROPEAN BAPTIST CONVENTION</b> BERLIN I.B.C. BERLIN, Rottenburg Str. 10, (Siegfried) Bldg. Study 10:45, worship at 12:00 each Sunday. James Hefflin, pastor. Tel: 030-774-4670. BONN/KÖLN I.B.C. OF BONN/KÖLN, Rheinstrasse 9, Köln. Worship 1:00 p.m. Calvin Hogue, Pastor. Tel: 0228-29 4722. BRATISLAVA I.B.C. (English language, evangelist) Luventa Room 205, Karlovska Ulica 54, Sunday 10:00. Pastor Ben Hanna, Tel: 715367. BREMEN I.B.C. (English language) meets at Evangelisch-Friedrichs-Kreuzgemeinde, Hohenlohestrasse Hermann-Böse-Str. (around the corner from St. Nikolai) Sunday worship 17:00. Pastor Dr. W. W. W. Tel: 04791-12677. BUCHAREST I.B.C., Strada Popa Rusu 22. 3:00 p.m. Contact Pastor Mike Kemper, Tel. 312 3860. BUDAPEST I.B.C., meets in Morits Zsigmond Gimnazium, Törökvezir ut 48-54. Sunday 10:00 Celtic Fellowship, 10:30 Worship. Take Bus 11 from Batthyány ter. After meetings, call Pastor Bob Zanden, Tel. 250-3332. BULGARIA I.B.C., World Trade Center, 36, Drahov Tzarikova Blvd. Worship 11:00. James Dukes, Pastor. Tel: 693 695. CELLE/HANNOVER I.B.C., Windmolen Strasse 45, Celle 1300. Worship, 14:00 Bible Study, Pastor West Campbell, Ph. (05141) 46146. FRANKFURT INTERNATIONAL CHRISTIAN FELLOWSHIP Evangelisch-Friedrichs-Kreuzgemeinde, Soldevitzstr. 11-13, 60310 Sudh. A friendly, Christ-centered church serving the English-speaking community in the north Frankfurt and Taurus areas. All are welcome. Sunday Worship, 9:30 a.m. & 11:00 a.m. & 11:45 a.m. & 12:00 a.m. & 12:30 a.m. & 1:00 a.m. & 1:30 a.m. & 2:00 a.m. & 2:30 a.m. & 3:00 a.m. & 3:30 a.m. & 4:00 a.m. & 4:30 a.m. & 5:00 a.m. & 5:30 a.m. & 6:00 a.m. & 6:30 a.m. & 7:00 a.m. & 7:30 a.m. & 8:00 a.m. & 8:30 a.m. & 9:00 a.m. & 9:30 a.m. & 10:00 a.m. & 10:30 a.m. & 11:00 a.m. & 11:30 a.m. & 12:00 a.m. & 12:30 a.m. & 1:00 a.m. & 1:30 a.m. & 2:00 a.m. & 2:30 a.m. & 3:00 a.m. & 3:30 a.m. & 4:00 a.m. & 4:30 a.m. & 5:00 a.m. & 5:30 a.m. & 6:00 a.m. & 6:30 a.m. & 7:00 a.m. & 7:30 a.m. & 8:00 a.m. & 8:30 a.m. & 9:00 a.m. & 9:30 a.m. & 10:00 a.m. & 10:30 a.m. & 11:00 a.m. & 11:30 a.m. & 12:00 a.m. & 12:30 a.m. & 1:00 a.m. & 1:30 a.m. & 2:00 a.m. & 2:30 a.m. & 3:00 a.m. & 3:30 a.m. & 4:00 a.m. & 4:30 a.m. & 5:00 a.m. & 5:30 a.m. & 6:00 a.m. & 6:30 a.m. & 7:00 a.m. & 7:30 a.m. & 8:00 a.m. & 8:30 a.m. & 9:00 a.m. & 9:30 a.m. & 10:00 a.m. & 10:30 a.m. & 11:00 a.m. & 11:30 a.m. & 12:00 a.m. & 12:30 a.m. & 1:00 a.m. & 1:30 a.m. & 2:00 a.m. & 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ON THE ONE HAND — Representative John Kasich of Ohio, chairman of the House Budget Committee, displays the rival budget plans that are causing the deadlock in Washington: the Republican proposal and the president's.

## Park Closed? Ask the Budget Bears

By Susan Levine  
Washington Post Service

YOSEMITE NATIONAL PARK, California — All morning long, in a quiet and soothing voice, a Yosemite park ranger, Rick Gushue, sent away visitors as one of America's most beloved national parks started locking up.

"I'm sure you guys are aware of the budget situation," he said, bending toward the driver's window of car after car. "The shutdown is still in effect, and as part of that Yosemite has been ordered to close. You'll have to turn around. Sorry for the inconvenience, folks."

The scene was similar at 368 other National Park Service sites, including the Grand Canyon, notified Wednesday that they had 48 hours to close because the service could no longer guarantee the safety and health of their guests.

Longtime park officials said they could not recall a previous headquarters request to completely close down major parks over what many see as a short-term spending dispute between Congress and the president.

Not since August 1990, when forest fires threatened part of Yosemite's breathtaking wilderness, has a mass evacuation been ordered here. The closing, the first in the 76-year history of Grand Canyon National Park, prompted Governor Fife Symington

of Arizona on Thursday to contemplate using national guardsmen to restore park services.

"It's a bunch of bureaucratic crap," Dick Granlich of Thousand Oaks, California, complained as he, his wife and two Canadian friends stood in the lobby of the Yosemite Lodge, contemplating what to do now that their vacation was cut short.

"Thank God we toured the giant sequoias yesterday," Ann Granlich said. On the lodge's front doors, throughout the historic Ahwahnee Hotel, on the

**'Yosemite is a world class attraction and you can't get into it right now.'**

recorded message that usually gives road and weather information, notice of the park's imminent closing was everywhere: By 3 P.M. Friday everyone was to be out.

No figures were available on the number of tourists, campers and hotel guests being asked to leave the parks, said Park Service spokesman David Barna. National parks in the West average from 9,000 to 15,000 visitors a day this time of year, he said.

In Florida, Everglades National Park will be shut down by 10 A.M. Saturday with a skeleton staff of 58 keeping watch; 232

employees usually tend the 1.5 million acres (600,000 hectares) of wetlands, trails, campgrounds and islands. The entrance gates have been untended since Tuesday afternoon, with visitor centers and trails closed.

At Yosemite, where visitors centers and exhibits were closed earlier in the week, park employees will be allowed to remain living in park facilities, as will employees of the concession company that runs the gift shops, restaurants and shuttle buses. The Yosemite Village Store and gas station will be kept open for them.

That's small consolation, however. "I have no idea what I'm going to do," said Helen Seneca, a housekeeper who lives in a heated Park Service tent a stone's throw from the rooms she cleans daily. "I'm hoping they come to some agreement. I can't imagine them putting all these people out of work," she said.

Even among the rangers who expect they will receive back pay there is uncertainty. At the Arch Rock entrance, a park supervisor, Harry Steed, watched as the

ranger, Mr. Gushue, spoke to new arrivals. "Yosemite is a world class attraction and you can't get into it right now. I'm not in the business of not allowing people in here," Mr. Steed said. As he spoke, yet another car turned to head back down Highway 140, and Mr. Gushue made one more mark on his clipboard. By noon, he had recorded 36 cars and two buses.

## House Sweeps 'Freebies' Away Ban Is Backed, 422 to 6

By Helen Dewar  
Washington Post Service

WASHINGTON — The House has voted overwhelmingly to ban free meals, expense-paid trips and other gifts to its members in a powerful response to the public clamor for curbing special-interest influence on lawmaking.

The rules change, approved Thursday by a vote of 422 to 6, gives the House tougher standards than the Senate, which voted in July to limit gifts to a value of no more than \$50 or a cumulative annual total of \$100 from a single source.

After rejecting a proposal that would have done little more than strengthen disclosure requirements, the House was faced with a choice of approving the Senate plan or banning gifts regardless of their worth.

"The simplest, the cleanest and the clearest standard was to say, 'No gifts,'" said the speaker of the House, Newt Gingrich, who proposed that the House ban rather than restrict gifts, in part to avoid ethical complications for members who might inadvertently breach the dollar limits.

Lobbyists offer favors only because of members' official position, Mr. Gingrich said. "There's no way around it," he said. "You didn't get the gift before you were elected. You ain't gonna get the gift after you leave."

The vote was a victory for junior members who have been aggressively pushing a political reform agenda that also includes a lobbying registration and disclosure bill.

The new rules bar House members or their staffs from accepting anything from fruit baskets to free vacations from virtually anyone except personal friends or family members.

It specifically bars them from participating in expense-paid golf, tennis and ski outings that are officially held for charity but also provide opportunities for lobbyists and corporate officials to mingle with lawmakers in posh surroundings. Even a move to ease the rule to allow members to accept free T-shirts

or baseball caps was blocked. Members could still accept expense-paid travel for official business and have spouses or children accompany them.

The ban was approved after the House, voting 276 to 154, emphatically rejected a proposal that would have eliminated the bill's toughest provisions and basically retained the current rules governing gifts, which critics say have invited abuses that undermine public confidence in Congress.

Both the House and the Senate bans take effect at the start of next year.

Like the Senate, the House was responding to a widespread public disdain over special-interest influence. While many members were reluctant to give up their free meals and vacations, the political risk of voting to retain them was too high.

Even opponents couched their arguments in terms of constituent interests.

"The best disinfectant is full disclosure, not isolation," said the House majority whip, Tom DeLay, Republican of Texas. The proposed rules are so rigorous that members would not even be able to "join the Kiwanis Club as an honorary member," said Representative Sonny Callahan, Republican of Alabama.

The counterargument was summed up by Representative John Bryant, Democrat of Texas: If you want the meals, the trips and the football tickets, "pay for them yourself."

Nothing makes the average voter more cynical than seeing their local member of Congress on television "cavorting on a beach" or playing golf "with expenses paid by lobbyists," added Representative David R. Obey, a Wisconsin Democrat.

The separate measure to strengthen registration and disclosure requirements for lobbyists — identical to legislation approved unanimously by the Senate earlier this year — seeks to plug loopholes in a law that has become virtually toothless.

It is estimated that more than half of Washington's 12,000 lobbyists are unregistered and thus unregulated.

### POLITICAL NOTES

#### Speed Limit Rise Makes Gains

WASHINGTON — Americans are only two votes and a presidential signature away from higher speed limits and a series of other rule changes that have raised hackles with safety groups but proven popular in Congress.

After months of wrangling, House and Senate negotiators have finally agreed on a new National Highway System bill with a number of side issues that have prompted more comment than its main purpose — to release \$6.5 billion in federal highway funds to states for the newly designated 160,953-mile highway system, which already handles a large share of the country's travel and commerce.

Battles over billboards and Amtrak held up the bill until this week.

In the end, billboards won and Amtrak lost.

The legislation would allow states to decide whether to allow billboards on parts of scenic highways by removing the "scenic" designation on parts of the highway.

But states would not be allowed greater flexibility to use highway money for Amtrak passenger train service. (WP)

#### White House Aide Is Acquitted

WASHINGTON — A federal jury Thursday acquitted Billy R. Dale, the former White House travel office director, of embezzlement charges in a case that the defense has contended was a political prosecution inspired by the Clinton White House.

Mr. Dale, 58, worked in the White House for seven presidents before Clinton officials ousted him in 1993, resisted lashing out at the administration.

"It's been 30 long months," he said. "I've been angry for 2½ years, but I've had to keep my mouth shut." President Bill Clinton, asked about Mr. Dale's acquittal, said it was clear when he took over the White House that there were some problems in the travel office operation but "there were also clearly some serious problems in the way it was handled at the White House." (WP)

#### School Prayers? Issue Is Reborn

WASHINGTON — House Republicans have introduced an amendment to the constitution that sponsors say would allow organized prayer in school.

Opponents criticized the measure as too broad and vague, contending that it amounted to a radical revamping of the First Amendment.

The measure, known as the Religious Equality Amendment, was introduced by Representative Henry Hyde, Republican of Illinois, who heads the House Judiciary Committee.

Several conservative religious groups, including the Christian Coalition and the National Association of Evangelicals, support the proposed amendment.

The proposed amendment states: "Neither the United States nor any state shall deny benefits to or otherwise discriminate against any private person or group on account of religious expression, belief, or identity; nor shall the prohibition on laws respecting an establishment of religion be construed to require such discrimination."

The constitution subcommittee of the Judiciary Committee is expected to hold hearings on the proposal next month, and it could reach the House floor early next year.

There is no similar proposal yet in the Senate. (NYT)

#### Quote/Unquote

Newt Gingrich, speaker of the House, as the chamber voted to ban gifts from lobbyists: "The simplest, the cleanest and the clearest standard was to say, 'No gifts.' You get these gifts because you are a member of Congress. You didn't get the gift before you were elected, and you ain't gonna get the gift after you leave." (AFP)

## AMERICAN TOPICS

### Attention Shoppers: Your Kid Just Fell Out of the Cart

About 25,000 children a year are injured when they fall or jump from supermarket shopping carts or when the carts tip over, researchers said in a study in the November issue of the Archives of Pediatrics and Adolescent Medicine.

More than 600 children a year were hospitalized after shopping-cart accidents. "These are not trivial injuries," said the lead author, Gary A. Smith, an assistant professor of pediatrics at Ohio State University.

No laws govern shopping-cart design. The researchers' recommendations were to lower the center of gravity or widen the wheel base to reduce the chance of tipping; fit existing carts with training

wheels, and require that children be strapped in.

The researchers said shopping carts should be banned until they are redesigned for safety.

An industry spokesman disagreed, blaming the accidents on poor supervision.

Jenny Kronauer of Chicago, shopping at a supermarket with her 16-month-old daughter Anna, said, "If they have the straps you can pretty much keep an eye on your kids. But if that kid gets out and falls, he's going to be seriously hurt, no matter what."

#### About People

"It's probably not cool, but I go to the Oscars, and I'm damn happy to be there," says Sharon Stone, quoted in GQ magazine on what it's like to be a film star. "I go to Cannes, get to ride around with police sirens, stopping cars. I happen to really enjoy it. Am I supposed to pretend this is hell?"

Pierce Brosnan says that perhaps it is

just as well that contractual obligations barred him from playing James Bond when he was first approached about the Agent 007 role in 1986. "I was very upset," he recalls in the current issue of People magazine. "Then again, maybe I wasn't up to the role in '86." Now, he says, "There's a bit more age on the face and more scars on the heart and soul." He added, "But I don't drink martinis." The new Bond movie, "Goldeneye," starring Brosnan, opens this month.

#### Short Takes

It looks pretty, but the chairman of the World Association of Hair Restoration Surgeons, Dr. Matt Leavitt, advises young girls and women against pulling their hair back too tightly into flowy ponytails or classic chignons. He says it can lead to hair loss.

Campbell's Soup has a new slogan, "M'm M'm Better," a variation on the one it dropped two years ago, "M'm M'm Good."

International Herald Tribune

## Did Rudder Cause Deadly U.S. Crash?

By Matthew L. Wald  
New York Times Service

SPRINGFIELD, Virginia — The pilots of a USAir Boeing 737 could have recovered from the mysterious rudder swing that appears responsible for the crash of the airliner near Pittsburgh 14 months ago if they had increased air speed and ignored their natural inclination to hold their altitude, officials of the Federal Aviation Administration

and Boeing have testified.

But nothing in the pilots' training told them what to do in the case of such a rudder failure, experts told the National Transportation Safety Board.

"We don't train for events that don't occur," said Michael Carraker, a project pilot for the 737 at Boeing.

He was testifying Thursday on the second day of reopened hearings into the crash of the plane, Flight 427, near Pitts-

burgh International Airport that killed all 132 people aboard.

Indeed, other experts testified, the 737 was approved by the federal government on the presumption that such events would hardly ever occur, perhaps once in the lifetime of the whole fleet of planes. Boeing still does not acknowledge that such a rudder movement may have occurred, and the safety board has not reached a conclusion.

But investigators have no other explanation for the plane's spiraling dive to earth, the biggest unsolved accident in the safety board's history.

Mr. Carraker and others also testified that tests conducted after the USAir crash greatly expanded their knowledge of the turbulence that an airliner leaves in its wake.

The USAir plane that crashed first encountered trouble when it ran across the wake of a Delta Air Lines Boeing 727 that was about 70 seconds ahead and 300 feet above. Mr. Carraker showed a videotape of tests involving a 727 and a 737. The 727 was equipped with smoke generators on each wingtip that made the turbulence visible; the plane left tight corkscrews of wind, or vortices, floating for miles behind it.

In the test, when the trailing plane's fuselage hit a vortex, it rolled 60 degrees; Mr. Carraker said it rolled at a rate of 36 degrees per second, or about 12 times faster than the autopilot was programmed to roll the plane when banking for turns.

The impact of the vortex on the fuselage also produced an unidentified sound similar to one heard on the cockpit voice recorder in the USAir jet as the accident began.

But the connection between the plane hitting the vortex and the rudder swinging is not clear. With no direct evidence that the incident involving the rudder occurred, investigators say that for now they must assume it was a malfunction.

### Air Bags Called Peril to Children

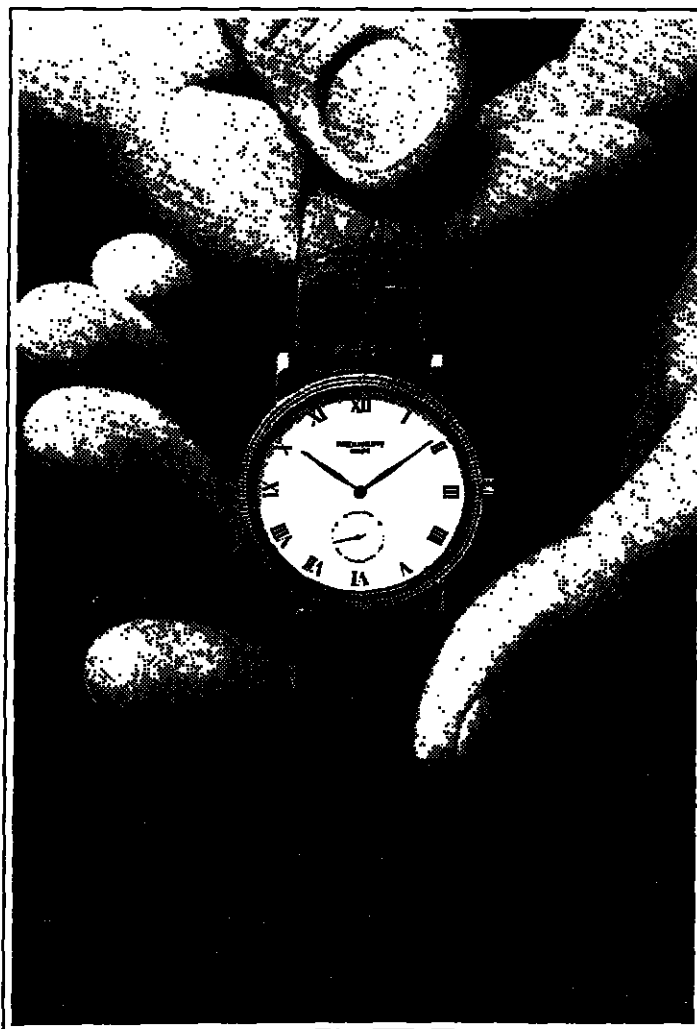
The Associated Press

ATLANTA — Infants and small children always should ride in the back seats of automobiles because exploding air bags can be deadly to them, the nation's public health agency has warned.

The Centers for Disease Control and Prevention said in an announcement here that all child car seats, even forward-facing ones for infants, should be put in the back seat of the vehicle, where they won't be hit by an air bag. Older children also should ride in rear seats.

The deaths of eight children have been attributed to air bags that inflated during car crashes, the agency said. When triggered, automobile air bags inflate suddenly, with explosive force.

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## Israel Casts Wary Eye On Syrian Overtures

Reuters

JERUSALEM — Israeli officials played down remarks on Friday by the American secretary of state, Warren M. Christopher, that Syria wanted to speed up peace talks with Israel.

"We've heard this before and nothing has happened," said one official. "It has to be verified."

A U.S. mediator, Dennis B. Ross, is due in the region Saturday to attempt to do just that. Mr. Ross will check on the prospects of moving from mired military talks to broader, higher-level negotiations.

Mr. Christopher said in Osaka, Japan, that Damascus had told Washington it wanted to accelerate Syrian-Israeli negotiations.

Since the assassination of Prime Minister Yitzhak Rabin on Nov. 4, Mr. Christopher said, "one of the positive elements is that the Syrians have taken this moment to say the track should be accelerated."

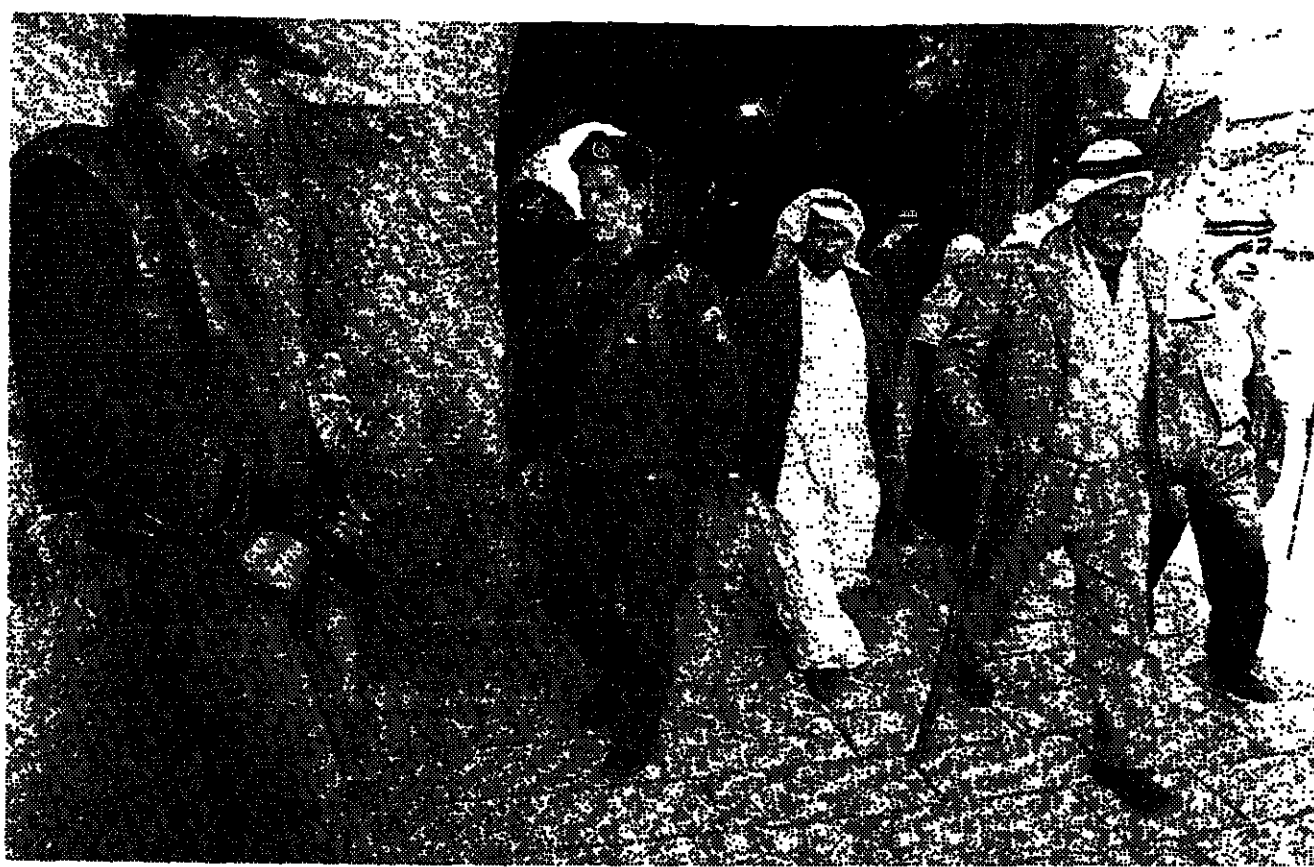
Israeli officials noted that Foreign Minister Farouk Shara of Syria said the same thing publicly on Nov. 8 in Damascus to the British foreign secretary, Malcolm Rifkind.

An Israeli cabinet minister, Yossi Beilin, who is close to the peace talks, said the Syrian stance had to be tested.

Asked by an Israeli radio interviewer if Syria's message to the United States was just words, Mr. Beilin said: "I admit my feelings are like yours but I would never stand in the way of checking it in the most serious way."

"If the Americans sense that there is a change in Syria," he said, "Syria without doubt will find in Israel a partner to serious, certainly complicated, negotiations."

Washington had pinned its hopes of Israeli-Syrian peace on Mr. Rabin, the politician with the best military credentials to convince Israelis that returning the captured Golan Heights to Syria would not endanger their security. Mr. Rabin talked of a staged Israeli pull-back on the strategic plateau.



AT THE DAMASCUS GATE — Palestinians leaving noon prayer services pass some Israeli soldiers in Jerusalem.

## Israelis Now Criticize Secret Service

Reuters

JERUSALEM — An assassin's calm re-enactment of the killing of Prime Minister Yitzhak Rabin caused widespread criticism of Israel's Shin Bet secret service Friday.

"Unbelievable!" wrote Alex Fishman, military correspondent for the mass circulation Yedioth Ahronoth newspaper. "Rabin's back was completely uncovered," he said. "It was gross negligence, and even that is an understatement."

The seven-day Jewish mourning period for Mr. Rabin, who was shot and killed at a peace rally on Nov. 4, and a statement from his widow that she did not blame his bodyguards had muted public criticism of the usually respected Shin Bet.

But Israeli tabloid newspapers attacked the secret service after the nation watched television coverage of his confessed assassin, Yigal Amir, as he showed the police on Thursday how he shot the prime minister.

Repeatedly and in slow-motion, Israeli television showed the 25-year-old Jewish student approaching from behind a policeman personifying Mr. Rabin and "shooting" him twice. Two bodyguards had their backs to the killer in the re-enactment.

Israel's biggest-selling newspapers, Maariv and Yedioth Ahronoth, even turned personal in criticizing the head of a Shin Bet unit in charge of collecting information about

Jewish militants, who like Mr. Amir, opposed Mr. Rabin's peace policy with the Palestinians.

In embarrassing detail, the tabloids recalled how the officer — who can be identified only by the initial "A" for security reasons — had an affair with "N," the wife of colleague "Z," whom "A" later recruited into the secret service.

Maariv quoted unidentified former Shin Bet bodyguards as saying their VIP protection branch had been run by "unsuitable directors" from other divisions and reporting "a deterioration in the quality of new recruits."

Shin Bet, which combats Palestinian guerrillas inside Israel and the occupied territories, has led a largely charmed existence in Israel.

Maariv, for example, passed up a chance to publish information nine years ago that Shin Bet agents had beaten to death two Arab guerrillas who were captured in a 1984 bus hijacking. Another tabloid, the now-defunct Hadashot, ran the news, forcing the resignation of Shin Bet's chief, Avraham Shalom.

## Algerian Voters Show Their Belief in System

By Youssef M. Ibrahim  
New York Times Service

PARIS — The most astonishing thing in Algeria's presidential elections was the assertive mood displayed by voters who are seldom given the chance to have their say but who, when presented with it, never miss the chance to alter political conventions.

Marching to polling stations in record numbers — 75 percent of the 16 million eligible voters cast ballots — they demolished the myth of cynicism about their government. They also defied threats of murder from radical Islamists and ignored calls for boycott by Islamic and secularist opposition parties; in doing so, they cast doubts about whether these still command any great following.

Most important, in giving President Liamine Zeroual, 54, a former army general, the expected mandate for another five years, they conceded that the army has emerged as the strongest political party in the country.

But the voters also asserted that the army must find a place in the system for advocates of moderate Islam by giving the two candidates running under that banner nearly 29 percent of the vote.

As for the generals, putting them in the spotlight can only pressure them to get on with the business of opening the political system and reforming the economy now that they can no longer hide in the shadows of one civil administration after another.

"The two things to retain from the Algerian elections are that people voted for stability after concluding the regime is not about to fall tomorrow, and they voted against the Islamic Salvation Front, which called for a boycott, after deciding it is incapable of taking Algeria to a new era," said Khirallah Khirallah, the Arab affairs columnist of Al Hayat, the London-based Arabic daily.

Despite the ritualistic denunciations of fraud and charges of vote tampering, all indications from witnesses as well as numerous news agency accounts and foreign diplomatic observers are that Algerians, start-

ing with the expatriate community in Europe this week, enthusiastically took part in the voting.

By choosing Mr. Zeroual with a vote of 61 percent, the mandate granted the army, for whom the former general is the front man, is clear.

But Mr. Zeroual ran on a platform of being "president of all Algerians" and vowed to hold parliamentary and municipal elections within a year. He said Friday that he would strive "to build together, all of us, this Algeria and achieve all of our ambitions."

The vote confers credibility and legitimacy on Islamists, particularly Mahfoud Nahnah of the Hamas party, whom the government can no longer ignore. The 53-year-old Mr. Nahnah has consistently denounced violence but advocated a liberal Islamic government, winning a surprising 25 percent of the vote. Another relatively little known liberal Islamist, Noureddine Boukrouh of the Algerian Renewal Party, won nearly 4 percent.

If the two men can field candidates in future municipal and parliamentary elections, they

will further drain the militant's ranks. The message of their joint score is that the time has passed for radical Islamists who advocate a fight until the establishment of a purist Muslim state.

In Germany, Rabiha Kabir, the senior figure of the Islamic Salvation Front, the main Islamic opposition party, which was banned by the authorities three years ago, asserted that the elections "change nothing." He insisted that any solution must begin with the removal of the present government.

In fact, the results reflect considerable changes in the mood of the electorate since the 1991 parliamentary elections, which were annulled by the government.

Too much blood has been spilled and much of it by the Islamists. At least 30,000 Algerians have died since fundamentalists took up weapons to battle the government. But their divisions and the savagery of some of their armed factions in killing women and innocent civilians appear to have registered in this election.

In the 1991 parliamentary elections only 40 percent of eligible voters went to the polls and 40 percent voted for hard-line Islamists.

## Cleric Denies Iran Role In Saudi Car-Bombing

Reuters

TEHRAN — A senior Iranian cleric said Friday that it was wrong to accuse Iran of any role in the car-bombing in Saudi Arabia this past week that killed six people and that the attack reflected internal problems in the kingdom.

Ayatollah Ahmad Jannati, speaking at Friday prayers in Tehran, said that the explosion at the U.S. military training center in Riyadh was being linked to Iran "for political exploitation."

"Is anything that happens anywhere related to Iran?" he asked.

"We absolutely oppose ten-

sion in the region," he said in remarks broadcast on radio.

The attack, he said, was "just the consequence of American presence," adding, "Do not accuse others."

Iran has denounced hints that it had a possible role in the car-bombing, which killed five Americans and an Indian.

An Iranian Foreign Ministry spokesman "dismissed as seditious the recent allegations of the U.S. ambassador in Riyadh."

He said Iran has no connection whatsoever with Monday's bomb blast in the Saudi capital, IRNA, the official press agency, said Thursday.

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# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Keep on Vetoing

President Bill Clinton promises to veto a second temporary spending bill, thereby shutting down most government offices for at least another day. The president should keep on vetoing these bills until the Republicans stop trying to trap him into reneging on every important promise he has made to voters over the past three years.

The temporary spending bill would keep government offices open while Congress and the president negotiate permanent spending bills for discretionary programs. To gain the upper hand in these future negotiations, the Republicans are attaching an insidious rider as a condition for granting President Clinton temporary authority to spend. He would have to agree to a budget plan that would eliminate the deficit within seven years.

The rider might sound innocent, since Mr. Clinton once offhandedly conceded that the budget could be balanced within that time. But he understands that there are only two ways he could meet the Republican timetable. He could renounce the tax cuts that he and the Republicans have waved before voters. Or he could adopt a spending plan that would mirror the Republicans' with marginally softer cuts in social services and marginally larger cuts in defense. His two choices would be political suicide or a conversion to Gingrichian Republicanism.

Mr. Clinton can stand firm against the Republican holdup because the consequences of a government shutdown are unlikely to be severe at least for the next

few days and perhaps not for a few weeks. For starters, entitlement programs, like Medicare and Medicaid, are unaffected by these squabbles over discretionary spending. Entitlement programs will not change until Congress passes a budget reconciliation bill that the president agrees to sign.

Things are not altogether bleak on discretionary programs, either. The Republicans are feeling enough pressure from angry voters that they are now planning to start up government offices piecemeal, passing bills that would provide temporary money for the national parks, passport offices, Social Security offices and other services that cater directly to the public. They are also expected to finish work on more of the 13 permanent spending bills, only four of which have been signed into law, that finance discretionary programs.

There are places for Mr. Clinton to compromise to get government up and running. For example, he could meet the Republicans halfway in terms of the maximum cuts that a temporary spending bill would make in programs, like voluntary national service, that he wants to preserve but that Congress has voted to abolish. But the seven-year trap built into the bill Congress passed late Thursday allows no room for compromise. The alternative—piecemeal government operations—is not ideal, but it is much better than a wholesale presidential betrayal of the voters who put him into office.

—THE NEW YORK TIMES.

## Roh Not Alone

South Korea's former President Roh Tae Woo now sits in a private cell in Seoul's detention house, awaiting prosecution in the biggest political corruption case in his country's history. His arrest on Thursday was a test of the government's commitment to cleaning up Korean politics, which have long been infected with bribery and other corrupt practices. But Mr. Roh should not have to pay the price alone for a scandal that reached deep into the Korean political and business worlds.

Mr. Roh acknowledges responsibility for managing a \$650 million political slush fund, but he claims no memory of which business tycoons contributed to it and which politicians benefited from it. Investigators believe that during Mr. Roh's presidency, huge public contracts were awarded on the basis of contributions to the fund and that the money was divided among the major Korean political parties, as well as corrupt individuals.

Although Mr. Roh helped steer his country toward democracy, his career reflects some of the worst traditions of Korean politics. He participated in the 1979 military mutiny that shoved aside a weak democratic regime, and he commanded troops in the 1980 massacre of civilians in Kwangju. But in 1987 he spurred a change to take over the pres-

idency through elections rigged in his favor by the military. Instead, he submitted to free elections. That helped calm the violent political unrest engulfing Korea's cities and campuses.

Mr. Roh's presidency was marked both by corruption and an opening of Korean life, including a freer press and a chance for former dissidents like the current president, Kim Young Sam, to re-enter political life.

Mr. Roh has now become the most prominent casualty of the reforms he helped set in motion. Others may follow, including perhaps the chief opposition leader, Kim Dae Jung, who acknowledges having received funds from Mr. Roh, and possibly even President Kim. The president's party concedes it received some of the slush money, which may have been used in the 1992 presidential campaign. But Mr. Kim denies any personal involvement. Opposition deputies in Parliament are right to demand that judicial authorities press ahead with their investigations.

If Koreans are to have faith in their new democratic system, the investigations and prosecutions must go forward. Mr. Roh was not the only practitioner of corrupt politics, and he must not be the only one punished.

—THE NEW YORK TIMES.

## Accept Turkey

The 15 governments of the European Union, meaning to anchor Turkey to the West, invited it into the European customs union—a step toward the full Union membership the Turks crave. But the 600-plus undisciplined individual members of the European Parliament get to ratify the invitation. The Parliament's decision, due on Dec. 14, is the stuff of which the post-Cold War future is being made.

Socialists in the European Parliament gaged at Turkey's application on account of its poor human rights performance in the course of suppressing an armed Kurdish separatist movement. Reform first, the Parliament said. The Turks responded with a "democratization program," amending the military-written constitution and starting to release what seem to be mostly political prisoners jailed under an anti-terrorism statute. Of six jailed Kurdish members of the Turkish Parliament, two were released and four allowed to petition the European Court of Human Rights. The American journalist Aliza Marcus of Reuters, accused absurdly of inciting racial hatred, was acquitted for "lack of evidence and intent."

Now the argument in the European Parliament has shifted. A human rights lobby argues that reform is cosmetic and reversible and that premature reward would remove Turkey's incentive to keep improving. If Turkey's customs union bid is not to be rejected, the new argument goes, it should at least be delayed.

Moving the goalposts, as this is called, seems to us here particularly unfair and counterproductive. The American-educated prime minister, Tansu Ciller, asserts that the country's secular Muslim outlook would come under even heavier pressure from resident Islamic fundamentalists if

Europe were to deny Turkey credit for hard-won gains made at Europe's own insistence. The potential strategic fallout is numbing to contemplate.

She's right. Turkey has a tough Kurdish problem and a tendency to repression; it has a good way to go on human rights. But it makes no sense to humiliate, rather than to encourage, Turkey when the nation is trying.

Finally, absorption in Europe is the best guarantee that Turkey, a friend and ally of high strategic value, will become progressively more democratic and prosperous—that it will be in the West and of the West as well.

—THE WASHINGTON POST.

## Other Comment

### Ulster Smoke Screens

Since the IRA cease-fire commenced in the late summer of 1994 the British have created various smoke screens which permitted them to avoid any meaningful policy changes or developments. There have been a series of arguments about semantics, about the concept of "permanence," about decommissioning of arms.

Now another smoke screen is in the process of creation. The British, through their political surrogates in Belfast including the Alliance Party, are floating the possibility of creating a unionist-dominated assembly in the full knowledge that this will be opposed forcefully by both Sinn Féin and the Social Democratic and Labour Party.

—The Sunday Business Post (Dublin).

# Budget Brouhaha Underscores the World's Anxiety

By Jim Hoagland

WASHINGTON — Symbolism run amok: That is how Washington must have looked to the rest of the world as the Clinton White House and the Gingrich-Dole Congress paralyzed each other and big chunks of the federal government this past week to score political points.

At home, the conflict resembled a snarling arm-wrestling contest between straitjacketed, fast-talking con artists more than the much predicted train wreck. President Bill Clinton and the Republicans vowed not to quit until the other cried uncle. Americans were invited to choose Clintonesque compassion and justice, or Gingrichian frugality and radical innovation, as national totems.

But different symbols will stick in the mind of a global audience already fearful that the United States has little time, declining energy and less money to invest in world affairs. President Clinton's decision to stay home and fight the image war along the Potomac rather than go to an economic conference in Japan is a revealing admission of American global leadership held hostage by unrestrained domestic conflict.

Call it Bush's revenge. Or life imitating life.

In November 1991, George Bush panicked when the Republicans lost the U.S.

Senate race in Pennsylvania. He, too, postponed a trip to Japan to look after domestic business (i.e., politics). When he made his belated trip to Tokyo in the middle of Asia's bitter winter, his laptop accident on the Japanese prime minister began the inexorable slide toward electoral defeat.

So we can be sure that the adviser Dick Morris will pack the Maalox if and when Mr. Clinton reschedules Japan. But other consequences of the cancellation will be harder to deal with as his presidency moves into a phase in which international cooperation is vital to his ambitions.

The decision not to attend the Asia-Pacific Economic Cooperation meeting in Osaka is a symbolic setback for a president who has repeatedly emphasized the importance of international trade, and of Asia, for America's economic well-being. The budget battle made Mr. Clinton acknowledge that interdependence begins at home, along Pennsylvania Avenue.

Don't get me wrong, Mr. Clinton does not lose a great deal by skipping the APEC meeting. He has been oversold by his trade officials on the importance of this notional organization and its vague declarations endorsing free trade some

day, but not now, thank you. If the trip were only about APEC, it would be eminently expendable.

But the last-minute cancellation is a damaging new blow to the Japanese government, which is reeling under an economic depression and a collapse in national confidence and political cohesion. A Pentagon effort to breathe new life into the U.S.-Japan security relationship with the Clinton trip also goes by the boards.

The image of an American president putting aside international commitments to deal with a bizarre domestic dispute over temporary spending authorization measures will linger abroad long after National Park Service rangers and Government Printing Office shipping clerks have returned to work. It neatly symbolizes a crowding out of the international ethos from the American mind by pressing domestic disputes—confusing the urgent with the important.

A year after the Republican capture of Capitol Hill, it is the newcomers' lack of interest in the rest of the world, not their lack of knowledge, that increasingly worries foreign officials and observers.

Asked the other day why he had come to Washington now, Wolfgang Schäuble, majority leader in the Bundestag and second only to Chancellor Helmut Kohl in

political power in Germany, responded that it was in part because "fewer and fewer senators and representatives come to Germany" these days.

Mr. Schäuble spent much of his time on Capitol Hill talking about the proposed peace settlement in Bosnia and the rising fear in Europe that Congress will block U.S. participation in a peace implementation force. "Imagine the effect that would have on Moscow, which has just agreed in very difficult negotiations to have Russian troops serve under American command. That would be a dangerous development," he said afterward.

European leaders will play an important role in describing the stakes of a Bosnian peace operation to Congress. President Clinton can count on them to stress the importance of continuing the half-century of international cooperation and friendships that made victory in the Cold War possible.

But, increasingly, the world's internationalists have to wonder if they can count on the American president. After this train wreck/arm-wrestling contest, he looks more like Gulliver tied to the ground by a thousand Lilliputian ropes of domestic woes than the boss of the world's only superpower.

Washington Post Writers Group.

# Who's on First? The U.S. Public Frankly Couldn't Care Less



# U.S. and China Set New Contacts But Beijing Is Adamant on Future of Taiwan

By Patrick E. Tyler  
New York Times Service

BEIJING — China and the United States made progress Friday in resuming a program of high-level military contacts, agreeing to an exchange of visits of their top military officers next year.

But American defense officials visiting here this week reported that during private conversations they encountered trenchant rhetoric and signs of unrelenting determination by Beijing's military and civilian leaders to undermine the political rule of the president of Taiwan, Lee Teng-hui.

In recent days, China has restated its intention to use all means, including military intimidation and force if necessary, to end what Beijing considers a drive by Mr. Lee for Taiwan independence, though Mr. Lee insists he is seeking only greater international recognition for the island.

As three days of talks ended, the Pentagon was receiving reports that China had begun a new military exercise off its southeastern coast near Taiwan, military officials here said. It follows a Taiwanese drill earlier in the week designed to demonstrate the island's ability to repulse an invasion.

The visit of the U.S. delegation led by the assistant secretary of defense for international security affairs, Joseph S.

Nye Jr., demonstrated that the general recovery in United States-China relations from a low point last summer is occurring against a backdrop of unrelenting military tension across the Taiwan Strait that could lead to another rupture in relations and, perhaps, military conflict.

"The Chinese have a military operation starting right now," an official traveling with Mr. Nye said, "and what is clear is that China is brushing off military plans and operational contingencies that they haven't thought about since the 1950s. This is an issue we are very concerned about."

Mr. Nye and officials traveling with him pointed out that China and the United States are improving the level of communication in some areas, but on Taiwan, "There was no give whatsoever," one official said.

"Every single person referred to Taiwan and their point was that every Chinese is united on this question," the official said.

Chinese military leaders, during extensive closed door talks with the American delegation, engaged in some "subtle exploration" of what U.S. policy responses would be in the event of a military crisis over Taiwan, one official said. But the American officials refused to discuss U.S. contingency planning.

"We stand for peaceful resolution of

disputes across the Taiwan Strait," Mr. Nye said Friday, speaking at a press conference at the U.S. Embassy. Any use of force by China against Taiwan "would be a serious mistake" and, he added, continued military exercises near Taiwan "are not helpful."

Mr. Nye announced that Chinese defense minister, General Chi Haotian, would visit Washington next year and that General John M. Shalikashvili, chairman of the Joint Chiefs of Staff, would pay a reciprocal visit to Beijing. Mr. Nye met with General Chi on Friday, but his longest discussions were held with Lieutenant General Xiong Guangkai, an assistant chief of the general staff of the People's Liberation Army and a senior adviser on Taiwan to the Communist Party leadership.

General Chi had originally been scheduled to visit the United States last summer, but the trip was postponed as part of the rupture in diplomatic relations after a White House decision to allow President Lee to make a private visit to the United States in June.

Commenting on other developments, Mr. Nye praised China's pledge last August that it would settle its territorial dispute over the Spratly Islands in the South China Sea in accordance with the Law of the Sea convention, which guarantees freedom of navigation through the area for all nations.

## Christopher Backs APEC's Business Role

Reuters

OSAKA, Japan — Secretary of State Warren M. Christopher, breaking with the view of an administration colleague, said Friday that economics, not security, should be the focus of the Asia-Pacific group APEC.

"I think it has a great future as an organization to facilitate economic development, coordinate economic development and to ensure there is a liberalized trading system in this region," he said in an interview. "In the short term that will be its primary goal."

Mr. Christopher added that discussion of security issues was more appropriately handled by the smaller Association of South East Asian Nations.

Mr. Christopher is in Osaka for the annual meeting of the Asia-Pacific Economic Cooperation forum, which the United States has sought to promote as a major Pacific institution.

Earlier this week, Defense Secretary William J. Perry said it was time to expand APEC from an economic group into a security alliance, despite a longstanding taboo about discussing military issues in the organization. Since its establishment in 1989, APEC has stayed away from defense issues, fearing that the subject could break up the already unwieldy 18-member group.

## Seoul Ex-Intelligence Chief Is Held With Roh in Scandal

Compiled by Our Staff From Dispatches

SEOUL — A close aide of former President Roh Tae Woo's followed him into jail Friday in the huge corruption scandal rocking South Korea, and prosecutors said "four or five" leading businessmen would be next.

Lee Hyun Woo, who ran the country's intelligence agency and later exposed Mr. Roh's slush-fund secrets, joined his one-time boss in the same detention center as prosecutors arrested him on several charges, including bribery.

The Yonhap news agency said prison officials were making sure that the two did not run into each other while staying in the Seoul Detention House in southern Kyonggi Province.

Mr. Lee was arrested after being questioned by state prosecutors for more than 50 hours over his role in managing some of Mr. Roh's \$634 million slush funds.

"In the eyes of the public, Mr. Lee may seem to be following his ex-boss into detention as a bodyguard," Yonhap said. "But prison officials say the two have been put into dif-

ferent wards to prevent them from running into each other."

It was Mr. Lee who stepped forward a few days after an opposition lawmaker accused Mr. Roh of secretly building up millions during his office to confess that he had personally managed a 48.5 billion won (\$63 million) slush fund for the former president.

A prosecution official said Mr. Lee, once Mr. Roh's top bodyguard and later director of the Agency for the National Security Planning, was suspected of receiving 2.65 billion won from business magnates in return for giving them favors in lucrative projects.

Mr. Roh, 62, was arrested and imprisoned Thursday, charged with taking \$310 million in bribes for lucrative government projects from the country's top 30 business houses, roughly half the amount he has confessed to massing.

His son, Roh Jae Hun, who on Friday visited the former head of state in his solitary cell in the austere gray brick Seoul Detention House, reported that his father was well and that he had had a "good night's sleep."

"After cutting myself off from the world, I feel comfortable," Jae Hun quoted his father as saying.

Meanwhile, Yonhap quoted sources from the party of President Kim Young Sam, who condoned the investigation into the former head of state, as saying the party had received \$130 million from the slush fund.

President Kim, who is in Osaka attending an economic summit, has denied receiving money from Mr. Roh to finance his successful 1992 election campaign, but conceded that his party might have.

On Friday, the president called the arrest of Mr. Roh "an unfortunate incident in the history of Korea that must not be repeated," and vowed to use it to wipe out business-political corruption.

A prosecutor said that "four or five business tycoons are likely to be arrested in connection with Roh's cache."

Yonhap said as many as 15 executives might be indicted, but business circles predicted that most would receive suspended sentences or be freed on probation.

### BRIEFLY ASIA

#### Allies Coordinate on North Korea

OSAKA, Japan — Japan, South Korea and the United States said Friday they would step up efforts to coax North Korea away from its nuclear arms ambitions.

Secretary of State Warren M. Christopher and Foreign Ministers Yohei Kono of Japan and Gong Ro Myung of South Korea said they would "maintain close consultation" to strengthen cooperation over North Korea's nuclear program.

"In this context, they decided to hold the first senior-level meeting next January," the ministers said in a statement at the Asia-Pacific Economic Cooperation forum. (AFP)

#### Sri Lanka Offers Rebels a Pardon

COLOMBO — Government planes dropped thousands of leaflets over Jaffna city Friday, offering amnesty to Tamil rebels who surrender to government forces that are just outside the guerrilla stronghold, the military said.

But no rebels had taken up the offer by late Friday, the officials said. The leaflets said the pardon was intended to avert bloodshed when the military invades the city next week.

Thousands of government soldiers are only a kilometer outside the city and are expected to attack it soon. An unknown number of rebels are still in Jaffna, whose civilian population was largely evacuated two weeks ago. (AP)

#### Indonesia Criticizes Portugal

OSAKA, Japan — The Indonesian foreign minister, Ali Alatas, accused Portugal on Friday of encouraging East Timorese students to seek asylum at foreign embassies in Jakarta.

Mr. Alatas, attending the Asia-Pacific Economic Cooperation summit meeting, also said Portugal was stalling UN-mediated talks with Indonesia and East Timorese political factions.

Five East Timorese climbed into the French Embassy in Jakarta on Thursday, the fourth such incident in two months. Officials said they left Friday for Portugal, East Timor's former colonial ruler. A day earlier, 21 East Timorese who sought asylum in the Japanese Embassy also were sent to Portugal.

Noting that the embassy entries are "becoming a pattern," Mr. Alatas said: "You can go away, then. I mean, good riddance. If people want to leave Indonesia, they are free to leave Indonesia. We are not deriving any pleasure from this, but it is getting a little bit boring." (AP)

#### U.S. Sailor Sentenced for Rape

TOKYO — A U.S. military court sentenced a sailor to eight years in prison Friday for raping a girl under 16 and taking part in an indecent assault on a female sailor, a report said. Both victims were American.

The sailor raped the girl, a U.S. military dependent, in a park on Sasebo Naval Base in southern Japan, the Pacific Stars and Stripes reported.

He was also part of a group of four sailors that assaulted a woman in a barracks room Aug. 7, one day after he committed the rape, the report said.

Seaman Apprentice Samuel J. Southworth, 19, of Murray, Utah, was found guilty on Nov. 3 of rape, indecent acts, drunk and disorderly conduct and destruction of military property, the daily reported.

He was sentenced Friday to eight years in jail, dishonorable discharge and forfeiture of all pay. (AP)

#### India and China Improve Ties

NEW DELHI — India and China have pledged to strengthen economic ties and resolve a three-decade border dispute, the Indian Foreign Ministry said Friday during a visit by a senior Chinese official.

"No force can separate India and China," the ministry quoted Qiao Shi, the head of China's Parliament, as telling the leader of India's lower house late Thursday.

The five-day visit by Mr. Qiao, a member of the Chinese Politburo, is the first to India by the chairman of the National People's Congress. (Reuters)

#### Hanoi Wants Aid for Returnees

HANOI — Vietnam said Friday that it would not allow illegal emigrés to be returned home against their will unless the Vietnamese government received international aid to ease the re-entry.

A document issued by Prime Minister Vo Van Kiet codifies requirements that Vietnam had already been raising in talks with governments and relief agencies seeking to deport Vietnamese refugees.

Vietnam fears that the returnees will place an additional burden on the country's weak social welfare services.

It recently agreed to accept 40,000 Vietnamese nationals from Germany only after Bonn promised \$140 million in aid. The United Nations and international aid groups also have funded the return of thousands of Vietnamese boat people from countries in Southeast Asia. (AP)

#### Hostage Near Death in Kashmir

SRINAGAR, India — Separatist guerrillas holding four Westerners hostage in Kashmir said Friday that one of the captives could die "any time," and urged his family to come to the Himalayan region as soon as possible.

"The sick hostage's condition is deteriorating and he can die at any time, for which the Indian government will be responsible," Al Faran militants said in a statement released in the summer capital of India's Jammu and Kashmir state.

The militant did not identify the hostage. (Reuters)

### ADVERTISEMENT

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Foreign Economic Relations Board • Association for the Coordination of Foreign Capital



## ART

## The Aristocrats of Manual Labor

By Barry James  
International Herald Tribune

TROYES, France — They built the Gothic cathedrals of France. They erected the Eiffel Tower. They restored the Statue of Liberty, built the pyramid at the Louvre and helped construct the Caracas Metro.

Marrying innovation to centuries of tradition, France's "Compagnons," or "companions," the aristocrats of manual labor, face the post-industrial age with growing numbers and confidence.

Every year, hundreds of young aspirants set off on a five-year "Tour of France" to learn a trade and see the world. Along the way, they find lodging and teaching in houses built and run by their orders. Older "companions" find them jobs and watch over them at work. Symbols, songs, stories and secret rituals preserved since the cathedral-building age help mold them into humanists as well as workers.

Toward the end of his training — it is always a he — the aspirant must devote more than 1,000 hours to creating a "masterpiece," a virtuoso display of skill to show off all he has learned. But this is not enough to be accepted, since the movement is a fraternity rather than a club of technicians. Compagnons also have to prove that they are good teachers and loyal friends.

Zealous of their secrets and their skills, the various brotherhoods of free workers that began in the Middle Ages have historically been bitter rivals. They split after the Reformation, and often used their symbolic staves to thwack each others' heads. They split again after World War II, some believing that others had been too cozy with the wartime Vichy regime.

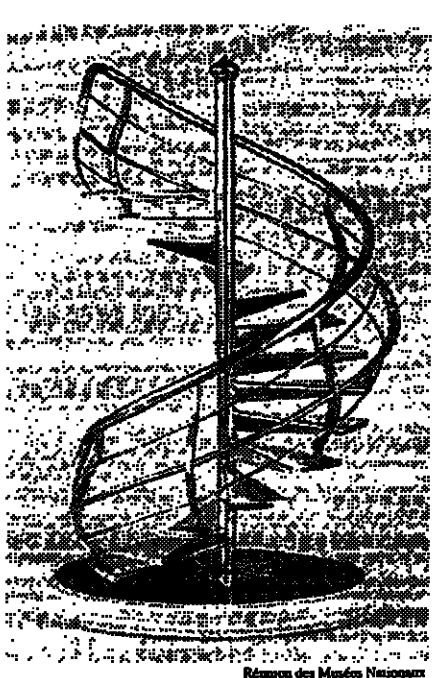
Today, rivalries between the three families of Companions are fading — to such an extent that they have pooled their resources for a joint exhibition of their masterworks and customs at the National Museum of Popular Arts and Traditions in Paris.

Compagnons never put their affiliation on their visiting cards nor sign their works, because they know that whatever they make is clearly recognizable to other Compagnons. They have little written history because they were often persecuted by the church and therefore burned their records every year.

It is perhaps easier to describe the Compagnons by saying what they are not rather than what they are. To quote the late Jean Bernard, who helped revive the movement during World War II, it is "not a chain of lodgings for young workers, nor a disguised employment bureau, nor an ensemble of trade schools, nor a pseudo-union, nor a

means of achieving success, nor a closed elite. "It is the convergent point between two generations — those who are committed to transmit knowledge and those committed to receive it. It is two generations united."

France's more than 20,000 Compagnons hardly know what it means to be out of work in a country where unemployment is a cruel reality for nearly 12 percent of the active population. Many go on to run companies or create their own. Furthermore, the movement offers the prospect of a brilliant career for manual workers in a society that otherwise places the greatest value on intellectual qualifications, and particularly on a narrow ability to solve math problems. The Reverend Gérard Pierré, a Jesuit priest who runs a 22,000-volume library for the Compagnons in this medieval city, says



A staircase created in 1991 by an artisan to become a Compagnon.

they are trying to restore the harmony of a civilization that was built by a combination of Homo Faber and Homo Sapiens — creating man and thinking man.

Under the impact of industrialization and mass culture, he said, this balance has been lost and manual work has been deprived of its prestige. He pulled out a volume of carpentry, part of a monumental encyclopedia of trades edited by Compagnons. Typically, it begins not with a dissertation on tools or techniques but with a long account on the humanism of the carpenter.

"Their fundamental idea is that you cannot go forward without taking the past into account," Father Pierré said. "The transmission of knowledge is vital, because it obliges the Compagnons to think through what they are doing."

Although the Compagnons use the term Tour of France, this encompasses anywhere there is something to be learned, or brothers to teach. The orders have houses and contact points around the globe, and are open to members from other countries. Each house is run by a provost, usually a Compagnon who takes two or three years away from his trade to devote to the brotherhood, and by a "mother," a highly revered figure who is the only woman allowed into the secret ceremonies of the Compagnons. In the larger houses, the "mothers" have responsibility for up to 100 young men, ranging in age from about 17 to 25. It is their job to create homes of what might otherwise be tightly disciplined barracks.

Typically, aspirants spend their days at work and evenings studying or practicing their trades in specialized workshops. They take their meals together, because the word Compagnon comes from the Latin root of sharing bread.

The largest of the orders is the Workers Association of the Compagnons du Devoir du Tour de France, which trains more than 4,000 young people every year. Although the Compagnons leave religion and politics to individual choice, the association is broadly influenced by Catholic teaching. The second largest group is a federation of Compagnons in the building and allied trades, each of which is autonomous. Like the association, it is concerned with traditional trades linked to the transformation of basic raw materials such as wood, stone and metal.

The oldest of the three groups is the Union of the Compagnons du Tour de France des Devoirs Unis. It differs from the other two by admitting apprentices from a broad range of modern trades, such as jewelers, musical-instrument makers and dental technicians.

The earliest Compagnons won their status as free workers in a feudal age in effect because they knew how to do things that others could not, and closely guarded the tricks of their trades from kings, bishops and other powerful outsiders. This was the origin of their famous secrecy.

Today, the Compagnons still see quality as a defense against industrialization and mass production, in an age where society "does everything to ensure that the working man cannot think," said André Morand, a companion and former director of the House of Tools in Troyes.



Detail of "The Tending of the Sick" by Domenico di Bartolo in the Sala del Pellegrinaio of Santa Maria della Scala.

## Siena's New 'Cultural Citadel'

By Roderick Conway Morris  
International Herald Tribune

SIENA, Italy — Hospital, medical school, guesthouse, orphanage and old folk's home, bakery, soup kitchen, safe-deposit, pawnshop, church and cemetery, Santa Maria della Scala, known to the Siennese as simply the *Spedale*, has been for more than 900 years this Tuscan hilltop town's principal treatment and charitable center, and symbol of its philanthropic ideals.

This summer, virtually the last medical and surgical departments were transferred to the modern hospital outside the city walls, leaving only a couple of wards and a first-aid clinic. What should be done with this vast, in places eight-story-high, medieval complex — which occupies the entire side of a hill between the city's cathedral and Francesco di Giorgio's San Sebastiano church — when staff and patients departed has been the subject of intense interest and debate for decades. But now, following an international competition won by the Italian architect Guido Canali, Siena's municipality has unveiled its plans to convert the hospital into a multifaceted "cultural citadel."

The 150 billion lire (\$94 million) project, which poses delicate restoration problems as well as opportunities for bold restructuring, will take about 10 years to complete. The good news, however, is that the *Spedale's* medieval and Renaissance nucleus, which contains among other things a unique cycle of 15th-century "realist" frescoes depicting the hospital's daily life, has meanwhile been opened to the public for the first time.

"Santa Maria della Scala is, of course, already a museum in itself," said Siena's mayor, Pierluigi Piccini, "and we wanted to make it as accessible as possible at once."

Certainly one of the most exciting stages of the project, for which we will have to wait a little longer, will be the reopening of an inaccessible, brick-vaulted medieval street that zigzags its way through the bowels of the building from the main entrance on Piazza del Duomo to Piazzetta della Selva. It will be liberated of later additions constructed over it and see the light of day as a public thoroughfare again.

The earliest known mention of the *Spedale* dates from 1090 (35 years before the comune, or municipality of Siena itself). Its first priority was the care of orphans, but by the next century it was a hospital and a medical teaching center. This was a period when ever more pilgrims were making the journey to Rome from Northern Europe, and accommodating and aiding these travelers obliged the *Spedale* to expand its activities.

A PART from providing food and clothing for Siena's needy and for impecunious pilgrims (not to mention catacombs beneath the building for the burial of the dead), additional services grew up, including a pawnshop and safe-deposit service, many pilgrims finding it convenient to leave some of their cash and valuables here before braving the Eternal City's muggers, con men and tourist traps. (Unreclaimed deposits provided the hospital with a modest extra source of income.)

In 1399 Santa Maria della Scala had 130 beds for male patients and pilgrims, with others for women and children and several overspill wards for busy periods of the year. By this time a large, well-endowed and prestigious institution, the hospital was also a leading patron of the arts.

The extensive frescoes in the Sala del Pellegrinaio (Pilgrims' Reception Hall, and until recently a regular ward full of beds), painted in the 1440s by Lorenzo Vecchi-

etta, Domenico di Bartolo and Priamo della Quercia, proudly present the hospital's multiple activities. In Bartolo's "The Tending of the Sick," against a background of a clean, bright, airy ward, a young man is being washed before a surgeon treats a gash in his thigh, two physicians examine a urine sample in a glass flask and an orderly gently lays a patient on a stretcher.

Also illustrated are the progress of a founding girl, from abandoned babe in arms being suckled by one of the hospital's wet-nurses, to the schoolroom and playtime, to marriage in a fine dress with a generous dowry provided by the *Spedale*; the daily distribution of food and clothing to pilgrims and the poor, and important events in the institution's history, from the mythical story of its inception (the pious founder's mother had a dream in which she saw infants ascending a ladder — the "scala" of the hospital's name — to the Virgin Mary in heaven) to the first buildings' construction and the investiture of a rector.

The most ambitious long-term project for the *Spedale* is that it should become a home for a new museum of Siennese art throughout the ages, wherein all the major collections scattered around the town should be gathered together under one roof. The complex is so large that this could certainly be done without compromising the other envisaged uses, which include restoration workshops, artists' and craftsmen's studios, new premises for the University's Art and Archaeology departments, auditoriums, bookshops, restaurants and bars. The obstacle to the museum is that several public bodies — the municipality, province, region and state — own the artworks. If, however, the all-too-familiar intermunicipal rivalries and bureaucratic red tape can be overcome, Siena could create in this superb setting a museum of international significance that would be worth traveling a long way to see.

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# OMAN

During the last 25 years, the sultanate of Oman, one of the lesser-known countries of Arabia, has witnessed an extraordinary social and economic renaissance. This has been made possible by the prudent use of its limited oil and gas resources. Its perceptive ruler, H.M. Sultan Qaboos bin Said, has played a key diplomatic role in searching for peace in the Middle East and was represented at the recent funeral of the Israeli prime minister.



H.M. Sultan Qaboos bin Said (above); the royal coat of arms shows a reflection of the palace gates (top left).

**H.M. Sultan Qaboos bin Said seeks more job opportunities for Omani citizens, urges a greater economic role for women and censures Muslim extremists.**

It is now 25 years since you acceded to the throne of the Sultanate of Oman. During this time you have slowly but surely brought the Sultanate into the 20th century. What are you most proud of having achieved during this period?

I am pleased with the thought that my people now have a fine quality of life and every reason to look forward to a secure future in which they will play their full part in Oman's continued progress. It is a source of great happiness to me when I travel through

Oman, meeting people and discussing their hopes and needs with them, to see them now enjoying such an improvement in their lives — the children healthy, bright and full of energy, preparing for the years to come.

In 1970, nothing of the sort existed in Oman. Childbirth mortality rates were horrifying, and diseases such as trachoma and glaucoma were literally blinding our children. Tuberculosis, polio, malaria and other diseases were widespread. As for education, there were almost no educational facilities at all.

Would you comment on other achievements, perhaps in the social and economic fields?

Once the two most important needs — an efficient health service and a compre-

hensive education system — were in hand, our people had to be encouraged to take the fullest advantage to use their talents in rising opportunities.

You have only to visit our schools and university to see the eagerness with which our young people are receiving our education and the success with which both young men and women are taking up the careers that are open to them. As you know, women in the past had no future, apart from the narrowest domestic existence.

Because of the total exclusion of women from professional and public life, only 50 percent of the ability of Omani people was being utilized. I was determined to alter that. Now women are elected members of the Majlis A'Shura — our parlia-

ment — and are playing an active role in government, business and every other walk of life.

Secondly, from the beginning I was aware that something had to be done to reduce Oman's total dependence on oil revenues. It was essential to diversify our economy.

This diversification policy is going well: over 30 percent of our national income is derived from non-oil sources, and our industrial estates are being increased.

For example, we are now exporting refined copper, pharmaceuticals, plastics, processed foods and other products, even cosmetics. We are also manufacturing all the uniforms for our armed forces and the police. You have embarked on a very ambitious educational

and vocational training program. Do you see Omanis playing an even greater role in the commercial and industrial sectors?

Indeed I do. I am determined that our "Omanization" program — the drive to make Omanis take over from foreign nationals — should be pressed forward as a matter of the highest priority. As young Omanis now come forward after being professionally trained as doctors, engineers, scientists and administrators, it is right that they should now take the economic life of the country into their own hands.

You have established the Majlis A'Shura (the parliament). Is this the first step towards a greater democratization? How effective is the Majlis, and do you, as Sul-

tan, find it useful in reflecting the views of the people of Oman?

I have always viewed the full participation of my people in the life of their country as being both right and essential. The establishment of the Majlis, which is the latest step in popular involvement in the national administration, is part of this natural progression. Although our country is an ancient one, lack of education has prevented Omanis from gaining the experience necessary for effective, modern government. To have hurried on precipitously to acquire the trappings of Western democratic society would really have been disastrous. Indeed, we are not going to import a Western form of democracy: we are developing a truly Omani democracy which will give our people their voice and preserve our religious and cultural traditions, the very basis of their lives.

The Majlis provides sound guidance of public opinion and its recommendations are of the greatest value. The advent of women and their contribution to the Majlis is a great success. One cannot govern fairly and effectively — and certainly not honorably — if one is not in tune with one's people. The Majlis and my annual meet-the-people tours admirably provide me with this requirement.

Mary Arabs have become more outspoken about how things should, or should not,

be done in the Islamic world. Often the West labels some as "fundamentalists." As the 21st century dawns, do you believe that Islam will need to change, and if so how will this be done without weakening, or even destroying, the basic structure?

Those small factions that seek to use the Muslim religion as a vehicle for their political ambitions should never be called "fundamentalists." They do not deserve the term since they seek to distort the Muslim religion to achieve their secular aims. The Muslim religion is a living religion, one that must be interpreted according to its basic principles and the ever-changing requirements of life. There is no place in our religion for extremism under whatever guise, fanaticism of whatever kind, or factionalism of whatever persuasion.

Over the quarter-century to come, what do you think will be the primary changes or improvements made in

the Sultanate of Oman?

The main changes will be those social developments arising from the strength which we are able to achieve in our economy. It is the national economy which lies at the root of a nation's life. A strong economy breeds strong and confident people. Our successive Five-Year Plans will develop our economy so as to sustain our people's ambitions. We must maintain full employment. But of course there will be problems — the birth rate must not exceed our ability to care for our people and to provide full employment. We must ensure that we have adequate supplies of water, so vital in this arid region.

Finally, I hope that our influence abroad will enable us to increase our efforts towards peace as well as towards the welfare of humankind in general.

(This text has been abridged.)

Interview by Michael Frenchman

## IN MEDICINE, THE FOCUS IS ON PREVENTING ILLNESS

The health minister outlines a comprehensive wellness program that involves keeping the body healthy and the environment clean.

The changes in Omani health care has been staggering in the last 25 years. Life expectancy for men has shot up from 49 years to 67 years (now 70 years for women), and the mortality rate has dropped from 120 per thousand people to just 29 per thousand.

Ali bin Mohammed bin Mousa, the minister of health, is an outspoken advocate of preventive medicine and holds some radical views about modern health practices.

"We vaccinate our children against all the usual diseases like rubella, mumps and hepatitis B because we believe that in the end this will save us money. We are also trying to keep our environment clean and to promote a more healthy way of living by teaching the importance of hygiene," says the minister.

Malaria had been a problem until recently, with thousands of cases being reported.

"In August, we only had 85 cases, a few in Muscat and along the Batinah coast. The victims were mostly expatriate workers."

of only 3,860 beds, 29 health centers with maternity wards and 82 ordinary health centers. There is a ratio of 2.2 beds per 1,000 population compared with 10 and 12 in Japan

hospital care is less in demand because of superior preventive care and better diagnostics. "We are trying to teach people that going to the hospital should not be the ultimate

modern illnesses that are due to a change in lifestyle.

"We have to face up to diseases of the First World: cardiovascular diseases, diabetes (very high, 10 percent of the population) and trauma cases from road accidents," Dr. Ali comments.

Another problem that Oman is facing is a rapid increase in population. More than 500,000 people are under the age of 18. The annual population growth rate for Omani nationals is 3.9 percent; it is over 6 percent for the whole population, including expatriates. Omani families are large — averaging eight or nine children — which places a substantial burden on resources. Birth control has become an important aspect of the ministry's program.

"We are trying to teach the importance of birth 'spacing' and explain to the husbands that there should be a gap between the birth of a new child and the next one. About 20 percent of mothers now practice some kind of contraception. Omanis must realize that they cannot afford to have big families. It is going to take time for the message to get through, but I think time is in our favor," Dr. Ali says.

"Our emphasis today is very much on primary health care and the promotion of prevention followed by curative care because this saves us money," he concludes.



Most Omani families have eight or nine children, but family planning is on the rise. The health ministry has emphasized that rapid population growth can burden resources.

### Staying out of the hospital

Strategic health care is based on a decentralization policy, with each region having a semi-autonomous role in determining and executing its needs under the overall guidance of the ministry. At the end of last year, there were 46 hospitals with a total

and France respectively and five in the United States.

"We always preach the message that there is no need for more hospitals and more beds, because this just creates more bureaucracy in the system," says Dr. Ali, who believes that

aim. It is the Omani's responsibility to keep himself or herself in good health.

'First World diseases' Dr. Ali thinks that traditional diseases have now been replaced by

## AN EDUCATION REVOLUTION IS TAKING PLACE

One of the pillars of Oman's renaissance has been education. In 1970, there were only three schools, for boys only, with a total of 30 teachers and 900 students in the whole sultanate. Today there are 947 schools, with just under 500,000 pupils almost equally divided between boys and girls. The number of teachers is 21,457.

Today a young Omani can receive a total education within the sultanate from primary school through to graduation from the Sultan Qaboos University. The university, inaugurated in 1980, is one of the most prestigious in the region. Some 65 percent of its students are women.

Strong efforts continue to be

made to eradicate illiteracy among adults, and there are more than 250 literacy centers in the country. What is surprising, particularly in the capital area, is the large number of English-speaking adults, from drivers to hotel workers. Many learned the language during service with the defense forces or the Royal Oman Police, which in the 1970s had a large number of English-speaking contract officers.

### English premium

In order to keep abreast of science and technology, not to mention business studies, the Sultan has declared that learning English must be an essential part of any curriculum.

"There is now a realization that our future very much depends on a knowledge of English as the business language and a universal means of communication. It should also help us achieve much higher standards in vocational and technical training, where we have been lagging sadly behind," one leading Omani businessman commented.

To make up for lost time, changes are to be made for higher technical training.

"The government is going to contract out about 70 percent of technical education because the private sector will be able to offer more choice," says Mohamed bin Mousa Al Youssef, minister of state

for development affairs. The government intends to set standards that would be internationally recognized. Parents are to be offered between \$4,000 and \$5,000 as an incentive to send their children to the private technical colleges.

### Private schools

In fact, there has been a degree of privatization in education since 1973, when the first private school opened. There are now 69, with nearly 13,000 pupils and over 880 teachers. Further privatization is likely, and parents can opt out of sending their children to state schools for basic education; they will receive up to 70 percent of fees if they choose private schools.

On the 25th National Day, we renew our commitment to His Majesty Sultan Qaboos Bin Said and the people of the Sultanate of Oman to continue our endeavors in providing communications of the highest order, as we move towards the century ahead.

Playing a pivotal role in the renaissance of the Sultanate of Oman, General Telecommunications Organization has always strived to get the best of the world, employing highly sophisticated state-of-the-art technology. With Global Network Services (GNS) and the Digital Data Network, OmaniNet, today, the Sultanate has established a vital link with the rest of the world.

**Reaching out to the world**

Ministry of P & T  
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## STOCK EXCHANGE IS SET TO BE A LEADER IN THE ECONOMY

Foreigners have 49 percent stake in first investment fund.

The Muscat Securities Market (the local stock exchange) is one of the most advanced and liberal of the exchanges in Arabia and the Gulf. It is set to play a more important role in the economic development of the country as the government tries to encourage greater privatization.

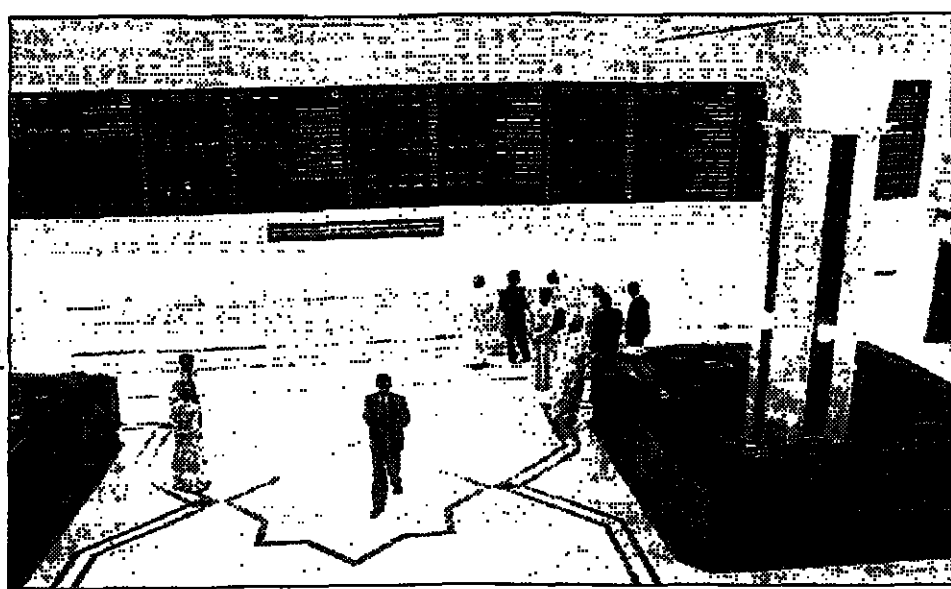
The MSM started in a small office located in the ministry of commerce and industry in 1989 and moved into its own building two years ago.

"In those days, there were only 49 stocks listed with a

total market capitalization of \$800 million. Now we have more than 100 stocks with a capitalization of \$3.5 billion. More than 60 stocks are actively traded," says Mahmood Mohamed Al Jarwani, executive president of the Muscat Securities Market.

Average daily trading (there are two sessions) amounts to between \$2 million and \$2.5 million, an increase of 24 percent over last year's daily average.

The MSM is developing rapidly as more instruments are introduced. In the beginning, only shares were trad-



Traders observe and confer with each other about the day's activity at the stock exchange in Ruwi.

ed. Today the market deals in development bonds, convertible bonds and investment funds.

"Investors now have many different options and choices," Mr. Mahmood adds. Last year saw the launch of the first investment fund (RO 20 million, or \$51.9

million) - 49 percent foreign and 51 percent Omani. It was oversubscribed by 100 percent. Since then two more funds have been launched.

"I am very optimistic, especially as 49 percent is open to foreign investors," says Mr. Mahmood.

Two Omani stocks are also listed on the Bahrain Stock Exchange.

A new capital markets law is expected to be introduced early next year, which, it is hoped, will establish proper regulatory systems, including a securities commission and stock exchange council.

## BANKING SECTOR GAINS: 'PRUDENT HOUSEKEEPING AND GENTLE PRODDING'

Mergers have strengthened the collective clout of the commercial banks.

The Omani banking system has gone through a striking change and is now in a very healthy position.

With an increased focus on privatization and the growth of the securities market, the banks are likely to play an increasingly active role. Prudent housekeeping and some gentle prodding from the Central Bank have led to a number of mergers as well as to a substantial increase in the strength of the commercial banks' assets base.

"The banks are enjoying a strong position and are very healthy overall, as we have convinced them to increase their paid-up capital and persuaded more of them to merge," comments Hamoud Sangour Hashim, executive president of the Central Bank. Three of the latest mergers have resulted in the Bank of Muscat Al Ahli Al Omani, the Commercial Bank of Oman and the Oman Arab Bank.

The Bank of Muscat Al Ahli Al Omani turned in a net profit of 3.5 million Omani Riyals (\$9 million) for the first half of this year. At the end of 1994, total assets amounted to RO 301 million, followed by Oman International Bank (RO 292 million) and the National Bank of Oman (RO 288 million).

"These mergers have strengthened both client and consumer base and the banks are now recouping the benefits of cutting administration costs and getting a bigger share of business," says Mr. Hamoud.

### Combined assets

A fourth merger now taking place is between the Oman Development Bank and Oman Bank for Agriculture and Fisheries, whose combined assets are said make it one

of the largest banks in Oman. Talks between the two banks have been going on for many months and a final decision is expected to be reached shortly.

"Although we don't expect any other mergers, we would welcome them and we are offering various incentives," adds Mr. Hamoud.

The commercial banking system has grown considerably since 1970, when total deposits amounted to only RO 33 million. These had grown to RO 1.36 billion by the end of 1994. By the end of last June, they stood at RO 1.3 billion.

"The dimension of banking development has been remarkable over the years," comments Mr. Hamoud.

"Total credit extended by the commercial banks was hardly RO 4 million in 1970. This went up to RO 293 million in 1980, RO 272 million in 1990 and had accelerated to RO 1.38 billion by the end of June."

### Private sector involvement

Mr. Hamoud says that the banks were not very liquid but that there was more emphasis being placed on involvement in the development of the private sector in possible new floatations and public issues. Although there are prospects of a number of major capital projects related to the oil and gas sector, opportunities for the local banks to participate are extremely limited due to the banks' overall size.

As one banker remarks: "You have to put the Omani banking system in perspective - its combined assets are less than that of any of several single Gulf banks. The opportunities are in financing local manufacturing or processing industries."

## NATURAL GAS JOINS OIL AS A MAJOR EARNER

Oil has been the key to Oman's renaissance and is likely to remain the major revenue earner for the foreseeable future. Oil sales are likely to exceed \$4.5 billion by the end of this year. Production today is about 850,000 barrels a day, and recoverable reserves are estimated to number some five billion barrels.

The prospects for exploitation of natural gas also offer substantial potential. According to one oil consultant in Muscat, total "bankable" reserves are thought to be between 40 and 50 billion cubic feet. "Our current reserves are

enough for us to start at least one major export project plus, perhaps, a couple of smaller ones," says the consultant. While there is considerable discussion about diversifying away from total dependence on oil, the focus of attention is on gas - in particular, the massive \$6 billion-plus liquefied natural gas (LNG) processing plant and the Oman-India pipeline.

### Looking abroad

Last month, it was announced that Oman LNG, the company set up to process the natural gas, will be going to the international markets to

try to raise 70 percent of the first \$3.5 billion.

"The rest will be raised by equity financing," comments Tony Hanna, general manager of Oman LNG. Chase Manhattan is acting as consultant for the financing, and more than 200 banks are expected to take part in the syndication. Royal Dutch/Shell, with 34 percent, is the major shareholder.

The success and indeed, the viability, of the project depends on a long-term sales agreement with South Korea. According to the oil consultant, South Korea is expected to take about 3.2 million tons of

gas a year. "We expect the first stage of the project to be completed by the year 2000," says the consultant. "This will involve one processing train, and the second train will probably depend on a long-term sales agreement with Japan."

An 800-mile undersea gas export pipeline to India is the other major project. It is being promoted by Oman Oil Co., which has already spent \$12 million on a feasibility study of what will be the world's deepest pipeline - two miles deep in places.

Oman Oil is seeking to raise \$4 billion for the project.

## TELECOMS: LINKS TO REMOTE AREAS

The latest technology can be found in the desert.

The development of modern telecommunications in the second-largest country in Arabia, which had only three international and 500 domestic telephone lines in the capital area in 1970, brings its own peculiar problems. In a land that has many areas that are remote from normal power supplies and that ranges from subtropical forests in the south to the treeless Musandam peninsula in the north, solar panels provide electricity for more than 100 small microwave repeater installations.

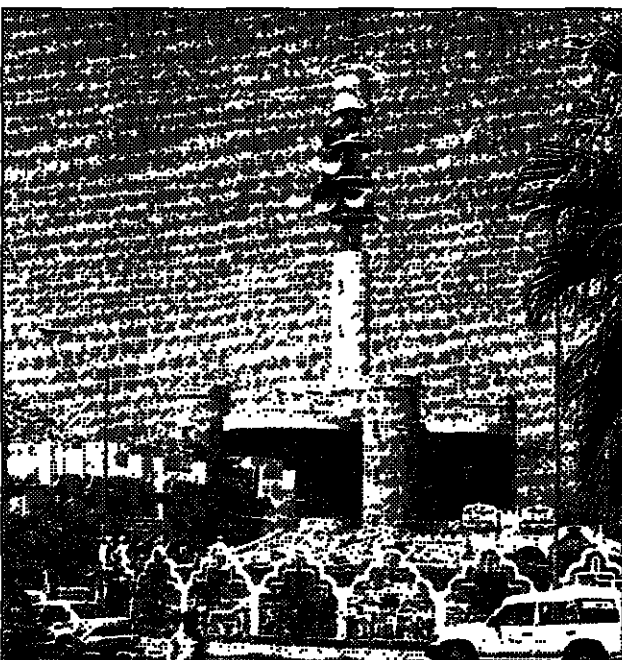
Virtually the whole country is covered with either fixed-line facilities, mobile radio or satellite systems. At the end of last August, the sultanate had 118 digital switching exchanges, with a capacity to handle 221,813 fixed and mobile circuits. The transmission systems include a mix of the latest technology, including both analog and digital coaxial cables and microwave stations, optic fibers and a domestic satellite facility operating through Arabsat.

By the beginning of this month, the GTO had hoped to bring full telecommunications coverage to the mountainous Musandam peninsula, which although sparsely populated has scores of small villages - one or two of which are only accessible by boat.

"We are also going to have a new digital station," says Noor bin Mohamed bin Abdulrahman, president of the PTT's General Telecommunications Organization. "With both analog and digital services, being installed at the Al Amerat Earth Station, which will provide an additional capacity of 40,000 circuits. This will provide coverage for some new areas and will be available to meet additional demand."

Oman has been a communications trailblazer, with many subscriber services, including voice mail, data transmission via GNS (Global Network Services) and the domestic satellite service (Domosat), which was introduced in 1977 to provide links between Muscat, the capital, and the Dhofar region in the extreme south. Oman was one of the first Middle Eastern countries to introduce GNS, in 1993. Now the GTO is introducing a VSAT (Very Small Aperture Terminal) system to meet a growing demand for quality communications from remote oil exploration rigs and small villages that cannot be served by conventional systems.

The demand for leased and dial-up data services has increased rapidly in the last few years, with more than 1,100 subscribers. With the continued liberalization and greater diversification of the economy as more foreign investors move into the sultanate, the GTO expects the demand for its GNS services to continue rising.



A microwave telecommunications exchange tower in Ruwi.

Mr. Noor says that the GTO intends to keep abreast of communication developments and will shortly provide a local "node," or access point for computer users to access the Internet.

"We want to encourage the establishment of local user groups who will develop and implement local database services. This will reduce dependence on international service providers and allow a greater proportion of revenues to remain in Oman for reinvestment in more facilities."

### The obsolescence treadmill

The one area the GTO refuses to rush into is mobile satellite communications, for both political and practical reasons. GSM (Global System for Mobile communication) has been under study for some time.

"The equipment itself is becoming smaller and cheaper; costs for the systems are dropping all the time. At least the system we buy should be the latest type. Some Gulf countries that took the lead are already having to replace their existing systems," explains Mr. Noor.

The other major issue is privatization. Already the sale of telephone instruments and pagers has been liberalized for some time. "The question now is, 'Should we privatize GSM?'" says Mr. Noor. From comments made in some government circles, it seems that the next five-year plan, due to start next year, will call for either partial or total privatization of the proposed GSM network, which would fill an important gap in Oman's overall telecommunications system.

## TOURISM INCREASES AT A STEADY PACE

The government is inviting tourists to Oman, but it does not necessarily want them to visit en masse.

From the beautiful Sohar Beach Hotel, with its miles of dark sand stretching as far as the eye can see, to the stark, mountainous Musandam peninsula and the lush subtropical areas of Dhofar in the south, Oman has some of the best-kept secrets of the tourist world.

Last season, more than 22,000 European tourists made their way to this unknown part of the Arabian peninsula. Oman is a kaleidoscope of history and tradition spanning more than four millennia, with dozens of archaeological sites from the Iron and Bronze Ages to the 16th-century era of colonial Portuguese invaders who left behind a network of fortresses and defense works. Many of the castles, with their distinctive round towers, are now being restored. A fort at Bahja now under restoration has been listed in UNESCO's Index of the World's Cultural Heritage.

Oman has a long tradition as a maritime nation. Merchants traveled far afield, down the African coast to Zanzibar and to Southeast Asia and China. Some historians credit the Omanis with leading the Portuguese navigators on their discovery voyages to the east.

The maritime heritage of the Omanis has given them a very cosmopolitan attitude toward the modern world that sets them apart from most of their Gulf neighbors. They have one of the



The Sohar Beach Hotel, with a pool and slide, offers amusement for children and tranquility for adults.

largest indigenous populations (about 1.5 million) and are intensely proud of their tribal traditions even today.

### Measured growth

During the last five years, the government has made a small but positive step toward opening up the country to the discerning tourist market. Until recently, it had been virtually sealed off to all but a handful of European visitors, mainly expatriates from the Gulf states and relatives or friends of expats working in the sultanate. The number of regional tourists is now just over 300,000 a year.

"We are very conservative in our attitude toward tourism," says Saif bin Has-

shil Al Maskery, undersecretary for tourism at the Ministry of Commerce and Industry. "We have just begun to put Oman on the world tourism map, but we don't even have enough hotels for the moment."

Apart from the practical aspects of an acute shortage of hotel rooms, there has also been a feeling that an influx of foreigners might have negative social consequences on the local population.

The recent arrival of Pizza Hut outlets and the ubiquitous golden arches of McDonald's have already had an effect on local youngsters.

At present, the sultanate

has only 3,000 hotel beds. According to its tourism development plan, it should have 10,000 by the year 2005. A five-star hotel with 285 rooms, which may be managed by Hyatt, is under construction on a beachfront site in Muscat, and a three-star apartment-hotel is also being built. In addition, a feasibility study for a second five-star hotel is being carried out.

### Five percent target

Next season should see the opening of a medium-sized beach resort hotel at Bandar Kharan. A major marina project is currently under construction in the capital area and will be a totally contained recreational and leisure complex, possibly with some villas.

In the extreme south, one of the main centers of the traditional frankincense and myrrh industries, hotels that meet international standards are few and far between. There is only the Holiday Inn in Salalah, which makes a good base for exploring the desert, the recently discovered lost city of Ubar on the edge of the Empty Quarter and the lush subtropical vegetation of the *jebel* (the green mountains). There is also the dramatic escarpment of Habrut on the Yemeni frontier.

Oman has a great deal to offer the tourist. What it lacks is the infrastructure. "We have a target to increase tourism 5 percent annually, but what we now need is more investment," says Saif bin Hashil.

## PRIVATE COMPANIES PROVIDE INFRASTRUCTURE - AND MUCH MORE

One of the Oman government's top priorities is to diversify the economy. This includes decreasing the country's dependence on the oil and gas sector and encouraging the private sector to play a greater role in manufacturing and industry. "Privatization" has become a buzzword now that the government is about to initiate its next five-year plan.

The Omzest Group of companies, which is one of the largest private companies in the sultanate, has played a leading role in the commercial and infrastructure development of Oman. One of its associate companies, Walced, built some of the first schools and hospitals.

Other major projects have included

the Oman Flour Mills and the operation of Mina Qaboos Port. The group was also part of the consortium to build Oman's color television station - the first in the Gulf.

Diversification has been one of Omzest's keys to success. Its activities range from banking and finance to health care, telecommunications, transport and tourism. In addition, companies within the group account for 45 percent of the sultanate's total manufacturing exports.

### Strong export business

"One company, Protein Products International, exports 95 percent of its production to the United States, Europe and Japan," says a company

spokesman. Altogether Omzest exports to more than 30 countries, from Africa to Asia. One of its associate companies, Reem Batteries and Power Appliances, is thought to be the only battery manufacturer in the Gulf that exports the (GCC) Gulf Cooperation Council countries, as well as to Africa and Europe.

"We must contribute more, and we must build on what we have and diversify further to meet the challenge of the next century," says Omar bin Abdul Munim Al Zawawi, president of Omzest. His brother, Qais, the deputy prime minister for financial affairs and one of the sultan's closest advisors, was killed in a tragic auto accident last September while driving with the sultan.

Referring to current business developments, Mr. Omar adds, "Today, manufacturing has become a thrust area within the group. We have 18 highly diversified manufacturing units. The product line includes textiles, automotive batteries, vegetable oils, diapers, footwear, storage water tanks, multipurpose paints, pvc (polyvinyl chloride) and cement pipes and soft drinks. Now we are hoping to increase still further our exports of manufactured goods."

### Focus on health care

Another company that has contributed to the infrastructure is Airmech-Oman, a joint venture contracting company between Airmech of Bahrain and the

local Omani Alawi Enterprises. Major works have included the 100-bed hospital at Buraimi and the VIP extension to the Sultan Qaboos Hospital in Salalah.

For the latter, Airmech-Oman was responsible for the total design, procurement, installation and commissioning of a state-of-the-art operating area and six-bed intensive care unit.

Some other projects involving Airmech-Oman have included the new British Embassy and services for the Royal Oman Symphony Orchestra complex.

The company maintains extensive workshops and manufacturing facilities in the sultanate for aluminum and steel fabrication.

Manufacturing  
Al Amal Industries S.A.O.G.  
Amiantic Oman S.A.  
Areej Vegetable Derivatives S.A.O.G.  
National Detergent S.A.O.G.  
National Heaters Industries Co. L.  
Oman Agriculture Development Co. S.A.  
Oman Textile Mills S.A.O.G.  
Protein Products International L.L.C.  
Sadolin Paints Oman Ltd.





We extend our heartfelt greetings to  
**His Majesty Sultan Qaboos Bin Said**  
 and the people of Oman on the occasion of  
 the 25th National Day

# MULTI-FACETED OMAN. ENTERPRISING AS ITS PEOPLE.

## The OMZEST GROUP of Companies AND ITS Associates

### Al Amal Industries Co. S.A.O.G.

Al Wardha Footwear & Leather  
 Products Co.

### Amiantit Oman S.A.O.C.

### Areej Vegetable Oils & Derivatives S.A.O.G.

Decorative Glass  
 Manufacturing LLC

Gulf Beverage Industries LLC

National Detergent Co.  
 S.A.O.G.

National Heaters  
 Industries Co. LLC

Oman Agriculture  
 Development Co. S.A.O.G.

Oman Textile Mills Co.  
 S.A.O.G.

Omani Marble Co. LLC

Protein Products  
 International LLC

Reem Batteries & Power  
 Appliances Co. S.A.O.G.

Reem Radiators & Accessories  
 Co. LLC

Riyam Investment & Trading  
 Establishment LLC

sadolin Paints  
 (Oman) Ltd.

Waleed Vacu-Lug Tyres Oman LLC

### Areej Business systems Co. LLC

Bishara Establishment

General Electronics &  
 Trading Co.

Muscat Cold Stores LLC

Office Supplies Co. LLC

Oman Mechanical  
 Services Co. Ltd. LLC

Omzest Beijing

Riyam Marketing  
 & Services Co. LLC

Waleed Associates

Waleed Communications  
 Co. Ltd.

Waleed Foodstuff  
 & Trading Co. (Wafco) LLC

Waleed Pharmacy

Zawawi Business Machines LLC

Zawawi Trading Co. LLC

### Agencies & Representation

Omzest Business Division

Oman Mechanical  
 Services Co. Ltd. LLC

Reem Scientific & Energy  
 Technologies LLC

Riyam Engineering  
 & Services LLC

Waleed Associates

Wilayat Co. Ltd.

Zawawi Trading Co. LLC

### Construction & Contracting

National Telephone  
 Services Co. LLC

Oman Services & Supply  
 Organization

Qurum Contractors LLC

Waleed Agricultural  
 Projects LLC

### Banking, Insurance, Finance & Investments

Muscat Commercial  
 Services LLC

Muscat Finance Co. Ltd.  
 S.A.O.G.

Muscat Insurance Co.  
 S.A.O.G.

Oman International  
 Bank S.A.O.G.

Oman Securities  
 Portfolio Co. S.A.O.G.

Omzest Investment  
 Division

Risk Management  
 Services LLC

### Services, Shipping, Travel & Tourism

Advertising International  
 Co. S.A.O.C.

AKA Video Productions LLC

Al Khuwair Development &  
 Services Co. S.A.O.G.

Al Rimah Medical Centre LLC

Circle Freight International LLC

Mezoon Travel LLC

Medical & Scientific Supplies LLC

Muscat Contract Cleaning LLC

Muscat International Services

Oman National Shipping Line

Personal Real Estate  
 Department

Rees Geophysical  
 Oman LLC

Riyam Computer Services LLC

Waleed Associates  
 New Zealand Imports  
 Division

Waleed Catering & Services LLC

Waleed Technical  
 Services LLC

YBA Kanoo & Co. (Oman)

Zubair Travel & Service  
 Bureau LLC



*Omar Zawawi Establishment*  
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 Tel.: 736239 (6 lines) - Fax: 740230 - Telex: 5542 OMZEST ON - Cable: OMZEST

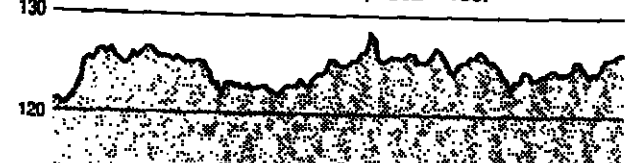








**THE TRIB INDEX: 126.33**  
International Herald Tribune World Stock Index, composed of 280 internationally investable stocks from 25 countries, compiled by Bloomberg Business News. Jan. 1, 1992 = 100.



**World Index**  
11/17/95 close: 126.33  
Previous: 125.83

**Asia/Pacific**  
Approx. weighting: 32%  
Close: 123.12 Prev.: 121.76

**Europe**  
Approx. weighting: 37%  
Close: 135.12 Prev.: 135.43

**North America**  
Approx. weighting: 28%  
Close: 125.02 Prev.: 125.62

**Latin America**  
Approx. weighting: 5%  
Close: 84.06 Prev.: 82.32

**World Index**  
The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and other major financial centers. It is composed of the 280 top issues in terms of market capitalization, otherwise the ten top stocks are tracked.

**Industrial Sectors**

	11/17/95	11/16/95	% change		11/17/95	11/16/95	% change
Energy	128.68	127.81	+0.84	Capital Goods	131.86	132.56	-0.53
Utilities	123.79	123.40	+0.32	Raw Materials	139.67	139.20	+0.34
Finance	118.16	116.76	+1.20	Consumer Goods	132.49	132.52	-0.02
Services	116.48	116.17	+0.25	Miscellaneous	133.10	132.77	+0.25

For more information about the index, a booklet is available for charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

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## Asia Pact Trades on Competition

By Michael Richardson  
International Herald Tribune

OSAKA, Japan — While Asian and Pacific leaders will endorse only a "voluntary" free-trade accord when they meet Sunday, fierce competition among their

### NEWS ANALYSIS

countries for investment and economic efficiency will put intense pressure on them to live up to its liberalization terms. Foreign and trade ministers from the 18 members of APEC, the Asia-Pacific Economic Cooperation forum, said Friday in a joint statement that the blueprint to be sent to the summit "reflected the voluntary commitment and the political determination of each member" to achieve free and open trade and investment no later than 2010 among developing countries and 2010 for developed economies. Officials said the word "voluntary" had been inserted at the last minute at the insistence of Malaysia but that it was not

a retreat from the free-trade declaration made a year ago by APEC leaders and ministers in Bogor, Indonesia.

In recent years, Malaysia, like many other countries in East Asia, has been opening its economy in a race with other countries in the region to attract investment and technology for more efficient production of goods, services and exports.

One Western official said Malaysia was better-equipped than most other APEC members to meet the targets.

"I don't think anybody, least of all the Malaysian government itself, doubts that it will be able to meet them," he said. "It's simply a matter of wanting to preserve a little bit of wriggle room."

Nonetheless, Malaysia's determination not to be bound to abolish all barriers to the flow of goods, services and capital reflects similar concerns among some other APEC members, including Japan, China, Taiwan and South Korea.

Those countries are wary of commitments to end protection of agriculture because of the political influence of their

farm lobbies.

To take account of concerns such as these and the diversity of APEC's member economies, the group — which includes large and small economies in North and South America as well as Asia — has agreed not to undertake a region-

Japan supports pact but refuses to say whether it includes rice. Page 19.

wide round of legally binding negotiations based on reciprocal concessions such as occurred among the United States, Canada and Mexico in the North American Free Trade Agreement.

Instead, each member will offer cuts in tariffs and nontariff barriers by the time of the next APEC summit in Manila in 1996, with the cuts to begin in 1997.

"The bottom line here is the need for arrangements to ensure that there is a broad and perceived equivalence," the foreign minister of Australia, Gareth Evans, said.

## Nightmarish Obstacles Could Face Group's Dream

Compiled by Our Staff From Dispatches

OSAKA, Japan — APEC's dream of a booming Pacific Rim unfettered by trade barriers risks becoming bogged down in bureaucracy, obfuscation and political rivalries, business advisers to the group said Friday.

Even as the 18 members of the Asia-Pacific Economic Cooperation forum set a voluntary course for economic liberalization within 25 years, business executives voiced misgivings over the obstacles ahead.

Within minutes of Friday's meeting, a

year-old conflict erupted in public as to what is exactly meant by a country's promise to APEC.

To the irritation of the United States, Mexico, New Zealand and Japan, Malaysia insisted that the ministers' final communiqué stress APEC's "voluntary" approach, a demand that shadowed the forum's summit in Indonesia a year earlier, diplomats said.

"They agreed that the draft reflected the voluntary commitment and the political determination of each member economy to achieve the objectives set by

the economic leaders at Bogor," a statement said.

Ippel Yamazawa, an adviser to a private business executives' forum that advises APEC, the Pacific Economic Cooperation Council, said the financial crises in Mexico, where capital flooded swiftly and unbridled out of its newly liberalized financial markets, were haunting the fringes of a forum that encompasses half of the world's economic output.

The region's vast economic and political diversity also poses stubborn problems, advisers said. (Reuters, APX)

## Economists Warn French Reform Plan Could Stifle Growth

By Max Berley  
Special to the Herald Tribune

PARIS — After initial enthusiasm over the new French welfare reform package, some economists took a closer look at the plan and warned Friday that its heavy reliance on tax increases could dampen France's economic growth.

"Whatever the public presentation may have been, the plan is actually based on tax increases rather than spending cuts," said Julian Jessop, an economist at HSBC Markets in London.

Prime Minister Alain Juppé presented a long-awaited plan to reform the social-security system, which currently generates a

deficit of around 60 billion francs (\$12 billion) every year.

The plan includes a proposal to reduce the running social security deficit to 16.6 billion francs in 1996 and to generate a surplus of 11.8 billion francs in 1997. It also creates a new tax intended to erase an estimated 250 billion francs in debt accrued by the system since 1992.

"At face value, the 1996 deficit reduction package raised nearly 37 billion francs but contains less than 10 billion francs of tax increases," Mr. Jessop wrote in an analysis of the reform. He said that all but two of the measures described as "management reforms" in the plan were "tax increases by another name. A more accurate representation is therefore that 25 billion francs of

the 37 billion francs package relies on tax increases."

As a result, he has reduced his prediction for France's 1996 gross domestic product growth to 1.9 percent from 2.5 percent.

Economic growth is critical to the success of the reform plan. Finance Minister Jean Arthuis said Wednesday he counted on GDP growth of 2.8 percent in 1996 to help generate the additional tax revenue that would be needed.

The Bank of France even appeared to lend its support to the plan by cutting two key interest rates on Thursday.

But despite the cuts, Jean-François Mercier, an economist at Salomon Brothers in London, said he foresaw 1996 GDP growth at "no higher than 2.2 percent."

### ECONOMIC SCENE

## Supply-Siders Try an Encore

By Peter Passell  
New York Times Service

NEW YORK — Fiscal conservatism is in: Polls show that most Americans are willing to forgo tax cuts to balance the budget. But supply-side economics, the good-news gospel that equated low tax rates with increased tax revenues and rapid growth, is still alive and kicking too.

The economists delivering the latest variation on the theme, moreover, are hardly wild-eyed evangelicals.

One is Martin S. Feldstein, a Harvard professor and former adviser to President Ronald Reagan who ironically was boozed out of the White House by supply-side zealots. The other is Daniel R. Feenberg, a respected specialist on tax data.

Their study calculates that raising taxes on wealthy Americans in 1993 raised just one-third of the money that would have been expected if taxpayers had not changed their economic behavior.

Are they right? Deputy Treasury Secretary Lawrence H. Summers said their conclusions had "no basis whatsoever."

But the controversy is a reminder that the war over the efficacy of progressive taxation is far from over.

The deficit-reduction package pushed through Congress in 1993 raised the top income tax bracket to 36 percent from 31 percent for families with taxable incomes between \$150,000 and \$250,000 and to 39.6 percent for those with incomes of more than \$250,000.

In addition, the ceiling on the Medicare payroll tax was eliminated, effectively raising

the marginal tax rate by 2.9 percentage points on incomes above \$135,000.

By contrast, the levy on incomes just below those levels did not change. Mr. Feldstein and Mr. Feenberg suggest that taxpayers at this level, therefore, could be regarded as "controls" in an experiment in the effect of higher rates on tax revenue.

If the gross income of the rich (here defined as those with adjusted gross incomes exceeding \$200,000) had marched in lockstep with that of the upper-middle class (\$50,000 to \$200,000), it would have grown by 2.9 percent. In fact, the taxable income of the \$200,000-plus group fell short of projections by \$31 billion.

That meant that, instead of collecting an extra \$16 billion in taxes from this group, Washington received just \$5 billion.

Higher tax rates also widened the gap between what the rich earned and what they kept, supposedly leading them to work less.

It is a plausible story, but is it true?

One problem, government officials say, is that the estimate critically depends on the base year. If 1991 instead of 1992 is used for a comparison with 1993, there is no shortfall in expected income and thus in tax revenue.

Another is the possibility of tax-shifting. If high-income earners anticipated higher tax rates in 1993 after President Bill Clinton was elected in November 1992, they presumably would have tried to realize more income in 1992, and there is evidence that they did.

Mr. Feldstein's response is that no one else has an adequate explanation for the interruption in 1993 of the trend toward ever-increasing income concentration.

## Pechiney Sell-Off Cast in Doubt as Investors Turn Shy

Reuters

PARIS — France's sale of Pechiney SA may be in trouble, analysts said Friday, because investors are not rushing to reserve shares in the aluminum giant.

Some analysts wonder whether the sale may simply be canceled at the pre-marketing stage.

"I would not be surprised if by end-November the operation were cancelled," one said.

But Finance Minister Jean Arthuis dismissed the idea, at least for the time being. "I have no plans to suspend the sale of Pechiney," he said.

The French government decided Monday to go ahead with the privatization of Pechiney despite recent weakness in the Paris stock market and suggested a price range for institutional investors of 187 to 215 francs (\$38.50 to \$44.28) a share.

The price represents a 15 percent discount from the pre-launch price of Pechiney certificates.

Placement of nonbinding orders began Tuesday, and some analysts said it had got off to a slow start. Investors have grown wary of French privatizations because shares in many privatized companies have performed poorly.

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Amsterdam	1.57	1.58	-0.63	US\$	1.57	1.58	-0.63	Swiss	1.57	1.58	-0.63	1 month	5.50	5.50	0.00	1 month	5.50	5.50	0.00
Brussels	1.57	1.58	-0.63	DM	1.57	1.58	-0.63	3-month	5.50	5.50	0.00	3-month	5.50	5.50	0.00	3-month	5.50	5.50	0.00
Frankfurt	1.57	1.58	-0.63	Yen	1.57	1.58	-0.63	6-month	5.50	5.50	0.00	6-month	5.50	5.50	0.00	6-month	5.50	5.50	0.00
London	1.57	1.58	-0.63	£	1.57	1.58	-0.63	1 year	5.50	5.50	0.00	1 year	5.50	5.50	0.00	1 year	5.50	5.50	0.00
Madrid	1.57	1.58	-0.63	Esc	1.57	1.58	-0.63												
Mexico	1.57	1.58	-0.63	Ps	1.57	1.58	-0.63												
New York	1.57	1.58	-0.63	D	1.57	1.58	-0.63												
Paris	1.57	1.58	-0.63	F	1.57	1.58	-0.63												
Tokyo	1.57	1.58	-0.63	¥	1.57	1.58	-0.63												
Zurich	1.57	1.58	-0.63	S	1.57	1.58	-0.63												
1 ECU	1.57	1.58	-0.63	ECU	1.57	1.58	-0.63												
1 SDR	1.57	1.58	-0.63	SDR	1.57	1.58	-0.63												

Source: Reuters. All rates are for 100 units of foreign currency per 100 U.S. dollars. All rates are for 100 units of foreign currency per 100 U.S. dollars. All rates are for 100 units of foreign currency per 100 U.S. dollars.

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GAME	1	2	3	4	5	6	7	8	9	10
1	1	2	3	4	5	6	7	8	9	10
2	1	2	3	4	5	6	7	8	9	10
3	1	2	3	4	5	6	7	8	9	10
4	1	2	3	4	5	6	7	8	9	10
5	1	2	3	4	5	6	7	8	9	10
6	1	2	3	4	5	6	7	8	9	10
7	1	2	3	4	5	6	7	8	9	10
8	1	2	3	4	5	6	7	8	9	10
9	1	2	3	4	5	6	7	8	9	10
10	1	2	3	4	5	6	7	8	9	10

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Four Games US\$ 260 US\$ 520 US\$ 1040  
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Very briefly:

H-P Net Rises, but Stock Plummets

PALO ALTO, California (Bloomberg) — Hewlett-Packard Co. said Friday its net income rose 42 percent in its fourth quarter, but its shares fell sharply after the company said rising sales of personal computers had cut into profit margins.

The computer maker's after-tax profit in the three months ended Oct. 31 was \$678 million, while revenue for the period rose 29 percent, to \$9.05 billion. But the company said it had sold more personal computers and printers, which carry lower profit margins. Hewlett-Packard shares closed at \$88.50, down \$4.75.

"The earnings were very good," said Martin Rensinger, an analyst at Duff & Phelps Investment Research. "But there is concern about the falling gross margins."

Apple Computer Inc. and International Business Machines Corp. plan to close Kaleida and Taligent, two joint ventures created to make software for both companies, according to a manager of Kaleida.

Dalkon Shield Claimants Trust said a federal appeals court had cleared the way for distribution of about \$800 million to eligible claimants next month. The trust of about \$2.5 billion, which has distributed about \$1.4 billion since 1983, was established to compensate about 177,000 claimants who were injured by the Dalkon shield intrauterine device.

Aetna Life & Casualty Co. is in preliminary talks to sell its Aetna Investment Management unit in Hong Kong to Invesco PLC. Aetna abandoned its search for a buyer for Aetna four

At Time Warner, Storm Before Calm? U.S. Rate Prospects Keep Dow at Record

By Geraldine Fabrikant and Deirdre Carmody  
New York Times Service

NEW YORK — Even in the context of the continuing management turmoil at Time Warner Inc., the ouster of Michael Fuchs — the longtime head of the company's Home Box Office cable network who had recently added Warner Music Group to his portfolio — was a shock.

Mr. Fuchs was forced to resign Thursday by Time Warner's chairman, Gerald Levin, who in the past year has accepted the resignations of a number of executives who were highly regarded in the entertainment business but who ran afoul of Mr. Levin.

Mr. Fuchs was forced out of the company in a shakeup that gives broad new powers to the top executives at the Warner Brothers film division.

Time Warner also made changes Thursday in its publishing business including appointing new top editors at two of its leading magazines.

Walter Isaacson, who has led Time Inc.'s New Media unit, was named managing editor of Time magazine, while Jim Colson, an assistant managing editor at Sports Illustrated, was promoted to managing editor of that publication.

But it was the ouster of Mr. Fuchs — who had been with the company 18 years, built HBO into the industry's leading pay-television service and was

awarded the top job at the troubled music division — that most startled the media industry.

While some analysts said the departure of Mr. Fuchs could mark the beginning of a new era of stability under executives in favor with Mr. Levin, others said the upheavals had become so frequent that no one's tenure was "it's wild," said Ed Hatch of UBS Securities. "Each time there seems to be stability, another shoe drops. It is disturbing to see the turmoil continue."

Larry Haverly, senior vice president at State Street Research, said: "I think the chairman is in very tenuous shape."

of two executives with whom Mr. Fuchs had a tenuous relationship: Robert Daly and Terry Semel, co-chairmen of Warner Brothers, who will retain those positions while assuming the same titles at Warner Music.

Both Mr. Daly and Mr. Semel signed new long-term contracts Wednesday. Mr. Daly said Mr. Levin had approached the two several weeks ago about taking over the music group. There continues to be industry speculation, however, that Mr. Daly and Mr. Semel would not have agreed to the contracts without gaining the news positions.

Mr. Daly and Mr. Semel, longtime colleagues who are two of the most highly regarded executives in the entertainment business and represent the most stable management team in Hollywood, could give Mr. Levin a new measure of corporate calm, analysts said.

Mr. Fuchs had been said to be against Time Warner's pending purchase of Turner Broadcasting, an acquisition for which Mr. Levin has fought hard. He was also reportedly reluctant to give up his post as chairman of HBO once he had been made head of the music division.

But even those who criticized Mr. Fuchs's corporate politicking and felt he had become an impediment to Mr. Levin's strategy for the company said the number of executives who had left Time Warner was a cause for concern.

MCA's Music Chief Quits

LOS ANGELES — MCA Inc., after months of strategic planning under its new owner Seagram Co., has disclosed that Al Teller, chairman of its highly profitable music division since 1989, has quit in a dispute.

The entertainment company said Mr. Teller would be replaced by Doug Morris, an MCA executive who was dismissed just a few months ago as chief of the music division at Time Warner Inc. and then recruited by Mr. Teller.

More changes may be in store. Mr. Morris said he intended to bring with him Mel Winter, another former senior music executive at Time Warner.

The surprise moves provided a twist to the changes that have shaken the music industry this year, including Time Warner's ouster of Michael Fuchs on Thursday. Mr. Fuchs was head of the Warner Music Group and the Home Box Office network.

In addition, MCA recently made a distribution agreement with Dreamworks SKG's new music division, which is to be run by another former Time Warner music executive, Mo Austin.

U.S. STOCKS

The Federal Reserve Board would lower interest rates next month, making it less expensive for companies and consumers to borrow.

The monthly expiration of options accelerated the advance by creating demand for stocks.

Bond prices were little changed, with the 30-year Treasury bond down 3/32, at 108 20/32, for a yield of 6.23 percent, up from 6.22 percent on Thursday.

Expectations for falling rates helped shares of banks and other financial companies, said Steven Goldman, market strategist at Weeden & Co.

BankAmerica rose 1/8, to 60 1/4. Chemical Banking climbed 1, to 58 1/4. Chase Manhattan rose 3/4, to 59 1/4, and Citicorp climbed 3/4, to 67 1/4.

Estée Lauder shares rallied to a close of 34 1/4 on their first day of trading, up from its initial offering price of 26. The shares of the family-controlled New York cosmetics company were among the most active on the Big Board.

It's an example of the scarcity of high-quality consumer stable-demand stocks," said Michael Metz, chief investment strategist at Oppenheimer.

"We've already seen other drugs, foods and beverages doing extremely well, and the market is focusing on this unique franchise in the consumer area."

Computer issues dropped af-

Budget Deadlock Keeps a Lid on Dollar

NEW YORK — The dollar hovered around its recent weak levels Friday as traders continued to focus on the budget deadlock between Congress and the White House.

The currency closed at 1.4073 Deutsche marks, up slightly from 1.4065 DM on Thursday, and at 102.15 yen, up from 102.13 yen.

"The dollar's drifted a bit, and the budget seems to be dominating the whole thing," said Karl Halligan, strategic currency trader at CIC Bank New York.

Market participants' belief that the budget stalemate would eventually be solved and the recent rallies in the U.S. stock and bond markets kept the dollar from falling much.

The conflict between President Bill Clinton and Congress earlier led speculators to sell the dollar, as political and economic gridlock had been viewed as negative for the currency.

"When you talk to people overseas, they are perplexed," said David Moline, trader

FOREIGN EXCHANGE

at Norwest Bank. "The officials involved look like babies that can't communicate."

"The market still thinks there will be a compromise down the line," so the dollar isn't falling much, said Earl Johnson, currency adviser at Bank of Montreal/Harris Bank. "If this stretches through next week and we still have a shutdown, then people will get nervous."

The dollar was also quoted at 1.1385 Swiss francs, up from 1.1382 francs, and at 4.8482 French francs, down from 4.8550 francs. The pound fell to \$1.5433 from \$1.5557.

(Bloomberg, Reuters)

WORLD STOCK MARKETS

Friday, Nov. 17					High					Low					Close					Prev.					
Prices in local currencies					Frankfurt					Johannesburg					London					Helsinki					
High	Low	Close	Prev.		High	Low	Close	Prev.		High	Low	Close	Prev.		High	Low	Close	Prev.		High	Low	Close	Prev.		
Tel Aviv																									
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
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ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
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ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46			AngloGold	219	217	217	216.50	AngloGold	219	217	217			AMEX	581.96	528.46		
ABN-AMRO	70.30	69.20	70.30	69.70	AMEX	581.96	528.46																		



# Van Miert Says EU Will Clear SAS and Lufthansa's Pact

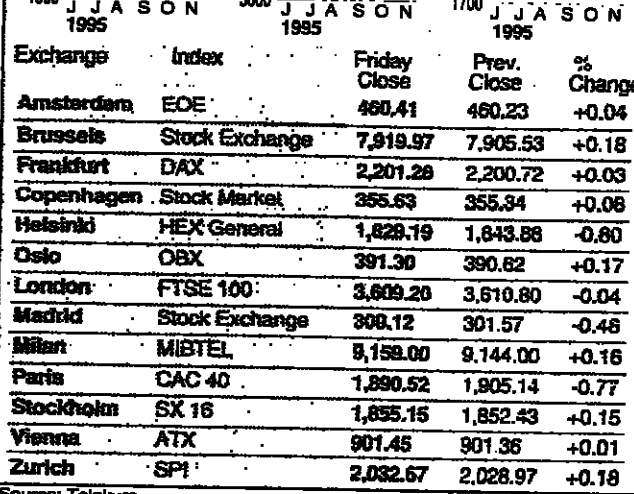
## KLM Ready to Fly Northwest Despite New Poison Pill

inst the plan because it  
uld compel KLM to sell 5  
cent of that increased stake  
998. (Bloomberg, AP)

Sales	High	Low	Latest	Chase
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**U.S. STOCK MARKET DIARY**

## INTERNATIONAL



**Swiss Bank Corp.** will decide by early next year whether and how to expand its operations in the United States. The bank said it was interested in building a wider U.S. distribution network for instruments such as equities and derivatives.

U.S. STOCK MARKET DIARY	INTERNATIONAL
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87.10	86.20	86.80	-0.17	9.472		1.41	1.41
85.85	84.80	85.30	-0.46	21.047	Iron FOB, ton	167.00	167.00
85.40	84.70	84.95	-0.65	8.676	Lead, lb	0.46	0.46
85.10	84.30	84.40	-0.65	6.585	Silver, Troy oz	5.34	5.31
79.52	78.52	80.00	-0.65	3.400	Steel (microp), ton	134.50	134.50



The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.  
The Associated Press.

C-2		C-3		C-4		C-5		C-6		C-7		C-8		C-9		C-10		C-11		C-12		C-13		C-14		C-15		C-16		C-17		C-18		C-19		C-20		C-21		C-22		C-23		C-24		C-25		C-26		C-27		C-28		C-29		C-30		C-31		C-32		C-33		C-34		C-35		C-36		C-37		C-38		C-39		C-40		C-41		C-42		C-43		C-44		C-45		C-46		C-47		C-48		C-49		C-50		C-51		C-52		C-53		C-54		C-55		C-56		C-57		C-58		C-59		C-60		C-61		C-62		C-63		C-64		C-65		C-66		C-67		C-68		C-69		C-70		C-71		C-72		C-73		C-74		C-75		C-76		C-77		C-78		C-79		C-80		C-81		C-82		C-83		C-84		C-85		C-86		C-87		C-88		C-89		C-90		C-91		C-92		C-93		C-94		C-95		C-96		C-97		C-98		C-99		C-100	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100																																																																																																		
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**Friday's 4 p.m. Close**

[illegible]

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1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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Month	High	Low	Stock
Jan.	100.00	98.00	100.00
Feb.	100.00	98.00	100.00
Mar.	100.00	98.00	100.00
Apr.	100.00	98.00	100.00
May	100.00	98.00	100.00
June	100.00	98.00	100.00
July	100.00	98.00	100.00
Aug.	100.00	98.00	100.00
Sept.	100.00	98.00	100.00
Oct.	100.00	98.00	100.00
Nov.	100.00	98.00	100.00
Dec.	100.00	98.00	100.00
Total	100.00	98.00	100.00

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## ASIA/PACIFIC

# Japan Won't Say Whether Trade Pact Includes Rice

Bloomberg Business News

OSAKA — U.S. Trade Representative Mickey Kantor said Friday that Japan had agreed to liberalize its agricultural markets by 2010 as part of the Asia-Pacific Economic Cooperation forum's open-trade agreement.

But while Mr. Kantor said APEC ministers had reached "unanimous agreement" on the plan's principles and dates, Japanese officials refused to clarify whether they and other members would fully open their rice markets, a politically explosive issue.

"All areas, including agriculture, are going to be covered" in an initiative to liberalize trade in the Pacific region by 2020, Mr. Kantor said.

The plan, to which APEC ministers agreed Thursday, calls for industrialized economies to open their markets by 2010 and for developing economies to do so by 2020. The process of opening markets is to begin Jan. 1, 1997.

The ministers' draft of the plan, to be announced by APEC leaders Sunday, contains 135 specific steps in 15 fields of trade, Mr. Kantor said.

Mr. Kantor also said Washington's accord with Tokyo on expanding access to the Japanese semiconductor market "must be renewed."

The United States says the accord, which was introduced in 1991 and expires in July 1996, commits Japan to buying at least 20 percent of its semiconductor from foreign manufacturers. Japanese officials

deny that they agreed on any specific market share and say the chip accord has outlived its usefulness.

Mr. Kantor also said he expected "contentious" talks on over trade in photographic film between America and Japan. Japanese officials have rebuffed U.S. requests for formal negotiations on the issue.

The United States has begun an investigation of Eastman Kodak Co.'s complaint that Fuji Photo Film Co. has conspired to limit the American company's share of the Japanese film market. Fuji has denied the charge and accused Kodak of engaging in unfair practices in the American market.

## China's Imports Leap

China's imports of agricultural products from the United States soared 279 percent in the first eight months of the year, Bloomberg Business News reported in a dispatch from Beijing citing U.S. Commerce Department figures.

From January to August, the United States exported \$1.93 billion of agricultural goods to China, compared with \$693 million a year earlier.

Exports to China of grains and feeds, including wheat, corn and processed livestock feed, jumped to \$809.3 million from \$116.5 million, according to the U.S. data. Raw and refined soybean oil registered an even sharper increase, rising from \$11.5 million to \$300 million, and raw cotton exports rose 34 percent, to \$634.3 million.

# Central Banks Take on the Market

## Four Asian Countries Pledge Mutual Currency Support

Bloomberg Business News

HONG KONG — Four Asian central banks plan to band together to try to do what some of the world's richest countries cannot: control their currencies.

Less than a year after the devaluation of the Mexican peso cast a shadow over some Asian currencies as well, central bankers from Hong Kong, Thailand, Indonesia and Malaysia have pledged to sign an agreement Monday designed to help them shore up their exchange rates if their currencies begin to weaken.

"If there are measures you can take to safeguard the currency, why not take them?" said a Hong Kong government official. "It's common sense."

Traders, bankers and fund managers aren't so sure, however. Many doubt that these central banks — or any others — can manage their exchange rates when more than \$1 trillion is traded daily in the foreign-exchange market. Buying or selling by any single country, they say, amounts to a drop in the bucket.

To some, the new alliance smacks of bravado that may only invite speculation that these central bankers see trouble ahead. "Anyone who wants to take on these currencies isn't going to be put off," said Andrew Hunt, chief economist at Thomson Management (Asia) Ltd.

Under the agreement, the central banks effectively will be able to borrow U.S. dollars from each other by pledging securities as collateral. Each could then use those dollars to buy its own currency in the market, should it lose value.

The alliance is the fruit of an emergency meeting held in January at the request of Joseph Yam, the chief executive of the Hong Kong Monetary Authority. That meeting came as the Hong Kong, Thai and Indonesian currencies were slumping amid concern they might fall victim to Mexico-style devaluations.

Some of the central banks raised interest rates to help fend off currency traders. Since then, the four countries have

been comparing notes on who might be speculating against their currencies. That sort of information-sharing is a big part of the new alliance.

Still, devaluations of currencies in Europe and elsewhere — Britain, Italy and Spain have all been humbled by the markets — have taught investors and central bankers alike that trying to strong-arm exchange rates can be futile. Even the Group of Seven leading industrialized nations has often had trouble trying to manage the world's benchmark currency, the U.S. dollar.

Some of the central bankers concede that the support they are giving one another is as much moral as financial.

"This idea is something similar to G-7 or other regional groups that come together for mutual benefit," said an assistant governor of the Bank of Thailand. "This will be a psychological defense as well as an actual defense."

It remains to be seen whether central bankers can reassure investors who fear that renewed weakness in the Mexican peso could affect the world's emerging markets. The Mexican currency's drop of about 10 percent drop against the dollar this month has already caused considerable fallout in some Asian financial markets.

In Indonesia, stocks fell this week amid concern that speculators were about to target the rupiah. The Indonesian currency has dropped 3.8 percent against the dollar this year. On Friday, the Philippine central bank raised rates to defend that country's currency, also called the peso.

"Investors get jittery with the Mexican peso all over the place," said Al Al-Busharif, an emerging-markets specialist with Bank of Montreal in Chicago. That means now is a good time for the Asian central banks to make a show of strength, he said.

But others aren't so sure. Reports that the central banks are taking action may only raise more questions in investors' minds, causing the whole exercise to back-

fire. "The very fact that they're looking to do it now could cause one or two speculators to say maybe they're expecting something to go wrong down the road," said Callum Henderson, a senior currency strategist at MMS International in New York.

At the Hong Kong Monetary Authority, that kind of talk is played down. "The history of the Hong Kong dollar is stable, and we think the track record speaks for itself," said Osbert Lam, a spokesman.

In Thailand or Malaysia, some analysts say, central bankers may trumpet the move as a sign that these countries, plagued by chronic inflation and current-account deficits, are prepared to defend their currencies.

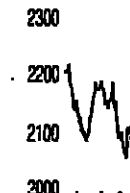

Thailand, which spent \$400 million in two days to prop up its currency in January, has just \$36 million in foreign-exchange reserves left. The Thai baht, which is linked to a basket of currencies in which the U.S. dollar is heavily weighted, has dropped just 0.2 percent against the American currency this year.

"One of the reasons we can gather support from our neighbors is they know we are not living beyond our means," a Bank of Thailand official said. Although Thailand has a current-account deficit equal to 6 percent of its gross domestic product, the government has run a budget surplus for eight consecutive years.

Hong Kong, of course, has its own problems. The British territory, which has \$58 billion set aside to protect the Hong Kong dollar's link to the U.S. dollar, faces the uncertainty of its return to Chinese rule in less than two years.

Even though the territory holds the world's seventh-largest foreign exchange reserves, some people are concerned that the fixed rate of about 7.75 Hong Kong dollars to the U.S. dollar will one day come under attack. The Hong Kong government, which created the link in 1983, has said repeatedly that it will stay.

## Investor's Asia

Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225		
10000 9500 9000 8500 8000	2300 2200 2100	20000 19000 18000 17000 16000		
J J A S O N 1995	2000 J J A S O N 1995	14000 J J A S O N 1995		
				
Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong	Hang Seng	9,287.90	9,367.65	-0.85
Singapore	Straits Times	2,077.41	2,089.29	-0.57
Sydney	All Ordinaries	2,119.70	2,108.10	+0.66
Tokyo	Nikkei 225	18,151.20	17,939.52	+1.18
Kuala Lumpur	Composite	888.91	894.04	-0.57
Bangkok	SET	1,195.18	1,174.62	+1.84
Seoul	Composite Index	952.37	933.95	+1.97
Taipei	Stock Market Index	4,568.08	4,639.28	-1.58
Manila	PSE	2,284.08	2,291.40	-1.19
Jakarta	Composite Index	458.34	459.90	-0.77
Wellington	NZSE-40	2,155.57	2,155.02	+0.03
Bombay	Sensitive Index	3,102.59	3,143.18	-1.29

Source: Teletel

International Herald Tribune

Source: Telekurs

International Herald Tribune

## Very briefly:

- Malaysian Airline System Bhd.'s first-half net profit rose 5 percent, to 154.2 million ringgit (\$60.9 million), and the airline cited increased efficiency. The result included an extraordinary gain from an insurance claim on a Fokker 50 plane that crashed in September. Excluding the gain, profit rose to 139.5 million ringgit. The airline also plans to incorporate its engineering and cargo divisions into subsidiaries.
- Kenwood Corp. of Japan blamed stagnating economies for its 3.92 billion yen (\$38.5 million) pretax loss in the six months to September after a 1.17 billion yen profit a year earlier. Revenue at the audio equipment maker fell 5 percent, to 101.26 billion yen.
- Wako Research Institute said parent-company pretax profit of 502 Japanese companies listed on the Tokyo Stock Exchange rose an average of 23.7 percent in the six months to September with the paper and pulp industry reporting the largest year-on-year rises while real-estate companies posted the worst results.
- Kyocera Corp. plans to set up a joint venture in electronic parts with Shanghai Instrumentation & Electronics Holding Group in December aimed at meeting increasing demand in China and other parts of Asia.
- Industrial and Commercial Bank of China extended 6.1 billion yuan (\$760 million) of emergency loans to 340 cash-strapped enterprises in the past month, after the government tightened its credit policy, Xinhua news agency reported.
- China appealed for increased foreign cooperation and investment in its offshore oil and gas sector, saying vast mineral reserves were going untapped.
- The Philippines' National Statistics Office said neither the Philippine president nor any cabinet officials had pressured the agency to change inflation numbers. Officials from the opposition accused the government of manipulating the data to create a better picture of the economy after the release Thursday of revised inflation figures.
- Daewoo Group of South Korea and Vietnamese Steel Corp. plan to build a joint-venture \$1.3 billion steel mill in Vietnam to supply Asian markets.

AP, AFP, AFX, Bloomberg, Reuters

## Pioneer Sinks Deeper

Bloomberg Business News

TOKYO — Pioneer Electronic Corp. disclosed Friday it fell deeper into deficit in the three months ended Sept. 30 as sales slumped worldwide, product prices fell and the strong Japanese yen hit revenue from exports.

The maker of audio and video products reported a net loss on its worldwide operations of 2.44 billion yen (\$23.9 million) for the period. It had a net loss of 1.02 billion yen in the like period last year.

Strong sales of automotive audio products were not enough to offset falling audio and video sales and the effects of the strong yen, said the company's senior managing director and chief financial officer, Masaki Sono. "We will definitely be back in the black in the next fiscal year," Mr. Sono said.

## TNT Agrees to Sell Ansett Stake to ANZ

Compiled by Our Staff From Dispatches

SYDNEY — In a move that could have significant impact on air transport in the South Pacific, TNT Ltd. agreed Friday to sell half or all its 50 percent stake in Ansett Airways to Air New Zealand.

The two-stage transaction, valued at 425 million Australian dollars (\$313.8 million), is contingent on the granting of a waiver of the Australian law that limits foreign stakes in Australian airlines to 49.9 percent.

The accord also must be approved by New Zealand anti-trust authorities because both Air New Zealand and Ansett, through its Ansett New Zealand subsidiary, operate domestic services in New Zealand.

Under the agreement, TNT will sell Air New Zealand 25 percent of Ansett for 200 million dollars. Air New Zealand will then have an option to buy TNT's remaining 25 percent stake, valued at 225 million dollars, until Feb. 15, 1998.

If Air New Zealand does not take up the option, TNT can buy back the first 25 percent stake.

The agreement also requires Air New Zealand to provide as much as 50 million dollars toward TNT's share of any new capital to be injected into Ansett and for TNT to support the establishment of a commercial alliance between Air New Zealand and Ansett.

The agreement marks the end of a year of off-and-on efforts by Air New Zealand to gain a stake in Ansett and with it a foothold in the Australian domestic-travel market.

Ansett is owned equally by TNT, an Australian transportation company, and News Corp., the global media concern controlled by Rupert Murdoch. Air New Zealand's acquisition talks with News Corp. this year were unsuccessful.

Once a lucrative source of revenue for TNT and News Corp., Ansett has become a drag on earnings as aggressive competition from Qantas Airways has hurt profit in the domestic market.

Ansett's net profit fell two-thirds in the year ended June 30, to 51.5 million Australian dollars, and the airline said recently it would post a loss for the current financial year. In Wellington, the chief ex-

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## Despite 1st-Half Slide, Honda Raises Forecast

Compiled by Our Staff From Dispatches

TOKYO — Honda Motor Co. said Friday its global profit dropped by more than one-third in the first half as falling sales overseas and a higher yen outweighed surging sales in Japan.

But the carmaker raised its full-year earnings forecast, citing the successful launch of new models in the domestic market and a decline in the Japanese currency in recent months.

Honda said its consolidated net income fell 36.4 percent, to 24.2 billion yen (\$237 million), in the six months ended Sept. 30. Sales fell 1.8 percent, to 1.955 trillion yen. Second-quarter net income fell 17.6 percent, to 12.2 billion yen, as sales fell 0.8 percent, to 1.01 trillion yen.

But Honda forecast that earnings for the full year to March 31 would rise 5.6 percent, to 65 billion yen, compared with its original forecast that profit would fall to 45 billion yen.

Some analysts were even more sanguine. "Honda's group net profit is likely to be 75 billion yen in 1995/96, mainly because of strong demand for Civic models in North America," said Noriyuki Matsushima, a senior analyst at Nikko Research Center.

In the previous financial year, Honda's earnings included a one-time gain from the

sale of its stake in Britain's Rover Group PLC. The carmaker said business was improving enough for it to forecast that its net profit would exceed last year's results, even including the extraordinary gain.

In Japan, Honda's sales have been buoyed by strong demand for its newer models, such as the Odyssey minivan and the new Civic. The CR-V sports-utility vehicle, unveiled in October, also appears to be a hit. Honda's Japanese sales rose 8 percent in the first half, to 299,000 vehicles.

The company's stock rose 40 yen to close at 1,870. The carmaker announced its results after trading ended.

(Bloomberg, Reuters)

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Herald Tribune

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### NOTICE FOR PUBLICATION IN THE PRESS

Unitholders are informed of the following changes to become effective on 18th December, 1995:

1. Change of name

The Management Company and Custodian of Gartmore Indosuez Funds have agreed to change the name of the Fund to Groupe Indosuez Funds. Further the Management Company has changed its name from Gartmore Indosuez Funds Management Company to Groupe Indosuez Funds Management Company.

Holders of bearer shares are invited to send from 18th December 1995 to transfer to Banque Indosuez Luxembourg S.A., 39 Allée Scheffer, L-2520 Luxembourg, their original certificates to be stamped or exchanged against new certificates.

As from 18th January 1996 the current certificates or those not so stamped will be no longer of good delivery at the Luxembourg stock exchange.

2. Winding up of investment Policies and Techniques

To improve the way certain Portfolios are managed, the following changes will be made:

(i) The Equity Portfolio generally may also make investments in specialised closed-end investment funds where up to 25% of a Portfolio's net assets may be invested, subject to the Fund's investment restrictions. Such investments may result in a duplication of fees and expenses, except in the case of funds promoted and managed by the promoter of the Fund where any subscription charges will be waived. In the case of investment in closed-end investment funds which are not subject to their country of origin to permanent supervision by a supervisory authority set up by law in order to ensure the protection of investors, the Fund may be exposed to larger risks, such as less frequent redemptions, delayed payment or non-receipt of redemption monies and less protective judicial structures.

Such investments in such non-supervised investment funds may not exceed 10% of the Portfolio total net assets.

Where this is the only way of gaining access to closed markets, the Fund may in respect of a Portfolio invest through a wholly owned investment vehicle provided that this investment vehicle is effectively controlled by the fund and it complies with the investment policies and restrictions for the time being in force of the Fund and of the Portfolio concerned.

(ii) The investment policy of the Developing Markets Portfolio will be widened to allow for investment in debt securities of companies listed on the larger Eligible Markets of the world which derive a significant proportion of their profits from emerging economies and debt securities of the governments of emerging markets.

(iii) In order to enable the Reserve Portfolios to benefit from the reduced Luxembourg tax of 0.05 per cent per annum of their net asset value, the investment policies of the Dollar Reserve Portfolio, the French Franc Reserve Portfolio, the Deutsche Mark Reserve Portfolio and the Yen Reserve Portfolio have been amended so as to provide that the Reserve Portfolios exclusively invest in negotiable debt instruments expressed in their relevant currencies of denomination, being US Dollars, French Francs, Deutsche Marks and Yen respectively or expressed in other currencies fully hedged into the relevant currency of denomination of the Portfolios and which are either debt instruments having, at the time of their acquisition, an initial or residual maturity of not in excess of 12 months; or debt instruments having a remaining maturity of more than 12 months, but in respect of which the Portfolio will not have an exposure of more than 12 months because of financial instruments entered into in connection with such securities; or floating rate securities provided their interest rate is adapted to market conditions at least once a year.

(iv) The Fund's authorised investment techniques and the use of certain instruments to this effect have been expanded so as to allow for investment in repurchase agreements, reverse repurchase agreements and other similar instruments.

3. Addition of further investment restrictions

To comply with investment restrictions required by the Securities and Futures Commission in Hong Kong, in order to register the Fund there, the Fund may not acquire for the account of any Portfolio any option in respect of securities or any warrants, if as a result thereof the value of all underlying securities in respect of which Portfolio holds options or warrants that are not held for hedging purposes would exceed 15% of the Net Asset Value of the Portfolio.

4. Change of conversion charge

To compensate for increasing costs in administering the Fund, the Management company will, as from the 18th December, 1995, impose a conversion charge on every conversion between Portfolios, of up to 0.50% of the value of the Units being converted.

5. Change of Investment Adviser

As from 18th December 1995 Indosuez Asset Management S.A. of 44 rue de Cassel, 1200 Paris will act as Investment Adviser to the French Portfolio and the German Portfolio in replacement of Gartmore Investment Limited.

6. Management efficiency

To reduce operational and administrative charges while allowing a wider diversification of investment, the Management Company may decide that part or all the assets of any Portfolio will be co-managed with assets belonging to other Luxembourg collective investment schemes.

Unitholders who cannot agree with the above changes may redeem at no cost.

A revised prospectus to be dated December 1995 may on request be obtained from Banque Indosuez Luxembourg S.A.



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1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.



# MONEY

## FIRST COLUMN

### The Land That Time Forgot

If in doubt, ask an insurer: Size is everything. In other parts of the financial world it isn't how big your bottom line is, but what you do with it that counts. In this respect insurance seems to be the Land That Time Forgot, a bastion of unreconstructed, old-fashioned financial machismo.

Shareholder rights, for example, are an alien concept to many insurance companies. The industries in the United States and Britain may have moved, somewhat begrudgingly, along the path toward taking account of company members' wishes and their desire for a good financial return. But in many cases the antiquated notion still prevails that the company knows best.

Yet if shareholders have a tough time, it is a picnic in the woods compared to what policyholders are put through. Policyholders often find themselves dealing with gigantic institutions that between them count for a huge chunk of the market in a given product. The result can be a culture of complacency, where one leviathan does not worry about the prices offered by those operating in the same field — institutions that would normally be known as "the competition."

The expatriate seeking insurance is perhaps worst served of all. Problems of language and culture are typically most acute when individuals first arrive in a country — just when insurance cover must be arranged and shopping around is most difficult.

Once more, competition among the few international insurers — or, rather, lack of it — is to blame. If you expect to move from Berlin to Hong Kong some time next year, you will probably be reluctant to buy locally. The alternative — an internationally portable product — may well have a price that helps explain how these insurers got so big.

M.B.

## Forecast for Insurance Stocks: High Pressure to Cut Costs

By Judith Rehak

HOMEOWNERS who take out fire, flood and earthquake insurance for their residences, or drivers who buy collision insurance for their cars, are protecting themselves and their investments.

But what about investing in property-casualty insurers, the companies that sell these policies?

At the outset of this year, their prospects in the United States looked decidedly bleak. The property-casualty insurance industry was still reeling from 1994, when catastrophes like the Northridge, California earthquake racked up losses of \$10.4 billion, and winter storms and floods tacked on another \$5 billion, making it the second costliest year ever.

To make matters worse, rapidly rising interest rates throughout the year battered the U.S. fixed income markets, where insurance companies invest the bulk of their reserves, making inroads into their value.

"Most property-casualty stocks got creamed," said Gloria Vogel, senior insurance analyst at Ladenberg, Thalmann & Co., a New York brokerage.

But as the end of 1995 approaches, the scenario is markedly changed. Interest rates finally started back down in February and continued falling, causing the value of insurers' investments to rebound.

And even Mother Nature has been more cooperative. Though there were an unusually large number of "name" storms this year, most of them didn't hit the U.S. mainland. "The industry was lucky because only hurricane Opal did and that will cost \$2 billion," said Ms. Vogel. "But even so, this year's losses haven't been too bad."

Indeed, a survey of 23 major property-casualty insurers by Business Insurance, a trade publication, showed a 20.4 percent improvement in net income for the first half of this year over the same period in 1994, when claims were flooding in from the Northridge earthquake.

One thing you hear a lot less of these days, however, is how costly natural disasters will finally jump-start the sagging prices of insurance premiums. The traditional market cycle of three up, then three down years has seen the downside stretch out. Soft pricing has prevailed since 1987, following a sharp run-up in prices that caused many companies to turn to less

### Insurance

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Shopping tips for expatriates  
AIDS-related policies

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Why EU red tape persists  
Tales from the medical front

The business of funerals  
Insurance-company IPOs

costly self-insuring, or consultants who advise on controlling their risks.

The widely expected upswing in premium prices after Hurricane Andrew hit the industry with \$21 billion in losses in 1992 never really materialized. "It was supposed to be three years up, but it lasted about six months," said Elizabeth Malone, insurance analyst for Legg Mason Wood Walker, a Baltimore firm, noting that Wall Street stepped in and raised some \$10 billion for insurers that offset much of the loss.

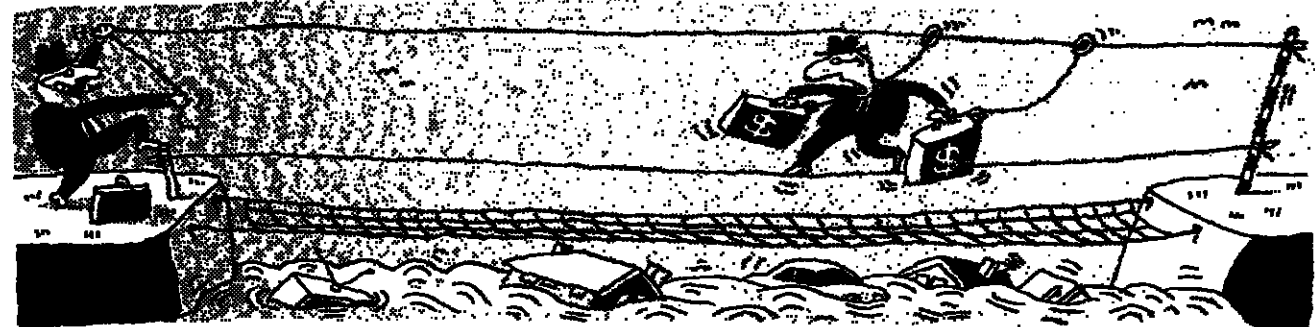
With diminished prospects for improved pricing, analysts say, the top performers in the industry are building profitability by tighter management and attention to costs, hanging on to more of their premium dollars by paying out less in claims, and controlling their losses by more careful policy-writing.

Insurers are also saving money by cracking down on fraudulent claims and in some cases, settling claims rather than going through lengthy, expensive court battles. And they are streamlining by eliminating jobs and selling off unprofitable and unrelated operations.

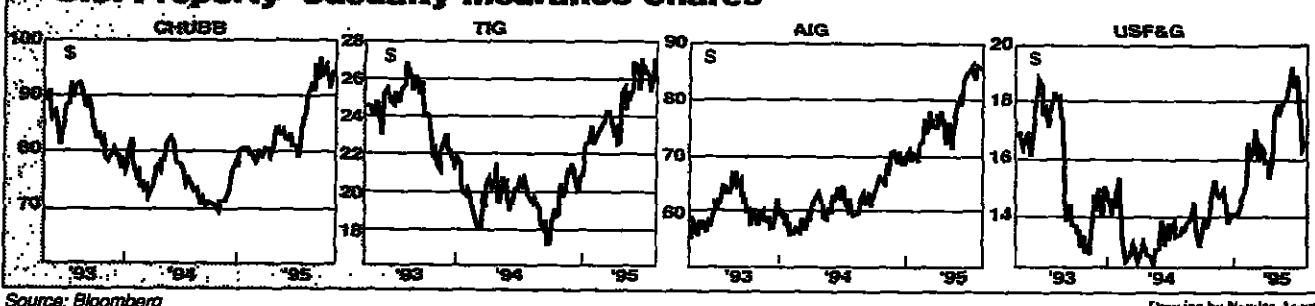
Citing her specific stock picks, Ms. Vogel adds that there are two more important criteria she looks at. "First, there's a continuing flight to quality by customers, as rating agencies have become more proactive, and second, you're seeing the most growth in companies that have the ability to expand internationally."

She favors two industry blue chips, American International Group and Chubb, even though both have already had substantial share price run-ups this year.

AIG, widely viewed as the best-managed company in the business, and a powerhouse in the American property-casualty area, already gets about half its revenues from overseas, where it sells mostly life insurance. Ms. Vogel thinks its growing presence in Asia, especially China, where the company was founded, will be a powerful driver of future earnings growth. "They're



### U.S. Property-Casualty Insurance Shares



Source: Bloomberg

Drawing by Nucleic Acid

just at the tip of the iceberg," she says.

Her target price for AIG is \$100 a share over the next 12 months. The stock split 3 for 2 last May, after hitting an all-time high of \$116, and is now trading around \$86.

Ms. Vogel is also keen on Chubb, which has thrived on its niche business of catering to the wealthy, insuring mansions, jewelry, fine arts and antiques. A perennial favorite of many analysts, the New Jersey company hit some rough spots last year, scaring away investors when it ran into problems with its small group health insurance in New York.

Now recovered, its stock has rebounded from a 52-week low of \$68.75 to \$93 last week, and Ms. Vogel likes its strong balance sheet and growing global reach. Chubb is expanding into Asia and Europe, and testing the waters in Latin America. Although from a small base, its non-U.S. business is growing 25 percent a year, compared with 6 percent in the U.S.

Despite her preference for big blue-chips, Ms. Vogel has one small, well-managed company on her short list: Allied Group, a Des Moines, Iowa company which sells mostly auto and homeowners'

insurance. The insurer sold some \$500 million of premiums in the past 12 months, compared to AIG, which did \$12.2 billion in property-casualty premiums alone. "Allied isn't on most people's radar screen because it's so small," she said.

While Ms. Malone at Legg Mason agrees that AIG and Chubb are excellent core holdings, she is taking a different approach to property-casualty companies. "I see other opportunities in secondary stocks that have greater upside potential," she said. She favors lesser-known insurers where new managements are positioning themselves for earnings improvements by restructuring, cutting costs and controlling expenses.

One such group is TIG Holdings, a spin-off from Transamerica Corp. which went public only two years ago. As part of its restructuring, the company has exited the middle market commercial business for property and fire coverage — where stiff competition is holding down prices, and sold off its unprofitable personal lines, as well as getting out of catastrophe insurance for earthquakes.

"Because they are so highly leveraged, a little bit can make a big impact on their

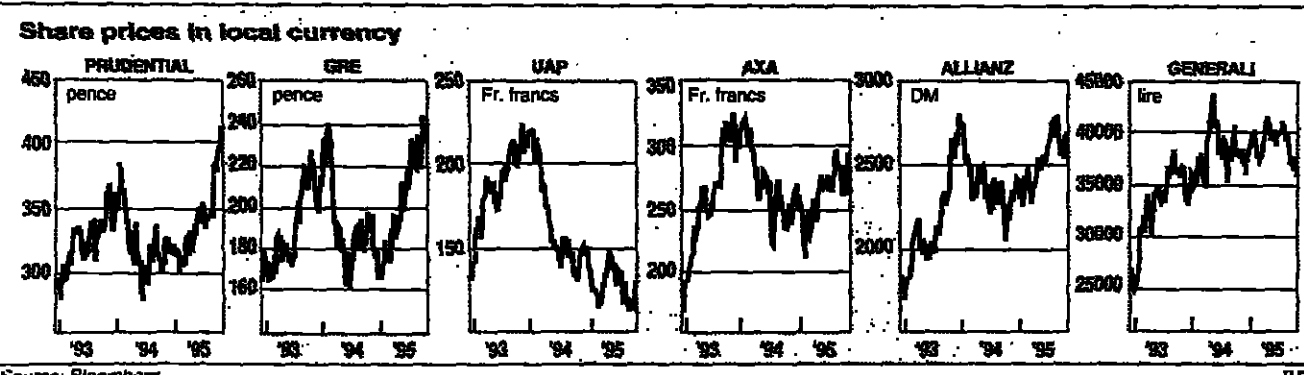
bottom line," she said. "We're looking for their \$1 a share earnings in 1994 to double to \$2.05 this year, and go to \$2.50 in 1996."

Ms. Malone is equally bullish on USF&G, a Baltimore insurer that tumbled on the edge of bankruptcy in 1990, but has revived under a new chairman and executive team. "They sold off their non-insurance businesses, and refocused their strategy on more specialized niche business like building and road construction, where they could get better pricing," she said.

She is also impressed with the company's emphasis on technology to reduce the expense of writing and delivering policies, as well as pricing them more effectively.

USF&G shares, which sank to \$6 in 1990, are currently around \$16.50. Ms. Malone expects them to reach \$23 over the next year and a half. "They still have a lot of cost savings going forward," she said.

"You're not buying these companies because of the market," she added. "You're buying a company that will benefit because of cost-cutting and other efficiencies, so it's a bottom-up approach. And if we ever get some pricing increases, they'll have an even bigger upside."



Source: Bloomberg

BUT

## Euro-Giants Learn Size Isn't Everything

By Martin Baker

ITS critics are vociferous. Various accused of gigantism, anti-competitiveness, lack of ambition and managerial arrogance, the European insurance industry would appear to have few friends.

Unloved and old-fashioned, there are many who argue that European insurance does not even merit the homogeneity of being called an industry. The argument runs that it is merely a collection of large corporations acting locally — and thinking locally.

All of this hostility might make the wily investor think that now is the time to buy. After all, contrarian investment analysts say that assets are financially at their most attractive when least loved by the majority.

The underlying truth, however, seems to be that European insurers are far from a blanket "buy" recommendation. What the sector does appear to have is pockets of opportunity for the discerning and conscientious investor.

"Overall, I'm not excited by European insurers, although the Dutch companies do seem to consistently attempt to offer shareholders some value for their investment," said Angus Runciman, an insurance analyst at London investment house Barclays e Zoete Wedd.

"The problem is that some European insurers have this outmoded approach in that they think they absolutely know what's best for the interests of the company and the shareholders. The logic of their argument is that if you seek to realize value in the short-term, you can never build for the future."

The moves to open up individual countries' insurance markets — such as those of Germany and the Scandinavian countries — has met with a lukewarm response from analysts.

"You have to look at everything from the vestment point of view and ask what the investor gets out of it," says Mr. Runciman.

Simon Rudolph, an executive director of organ Stanley in London, concurs: "Liberalization and the dismantling of quasi-privileges tend to work to the benefit of the insurer rather than the producer," he said.

Michael Wheelhouse, an insurance analyst at Nomura Research Institute, adds that the liberalization of the German insurance market may bring some surprises

— though not all of them will necessarily be favorable.

"I'm not wildly keen on Allianz," he says, referring to Europe's largest insurer. "As financial reporting becomes more open and daylight is allowed into the company's accounts, you might not find the bottomless reserves that some people like to imagine. While Allianz may have other attractions as a stock, it certainly isn't a buy on the strength of favorable surprises as accounting standards change."

Mr. Rudolph argues that the numbers emerging from European insurers over the last few years have been fairly encouraging, with a modest level of claims and premium income attaining high levels.

Mr. Wheelhouse believes that premium income is far from the most important element in analyzing European insurance stocks.

"The European industry has long been protected — coaxed, you might say — by its various governments. There has always been the scope to hide profits in assets, so when you buy an insurer what you are buying is the asset base, and in that sense income from underwriting insurance risk is really secondary."

Investors who bought French insurers, and their extensive holdings in domestic property, will recognize the logic of that argument.

French insurance stocks have, in the main, been lackluster, partly because of the continued weakness of the French real-estate market. Analysts are divided as to whether the worst losses of French insurers' property subsidiaries have already been written off. There is, however, considerable sympathy for many companies which are regarded as having been virtually forced by the French government to acquire banks and their property-backed loan portfolios — in the 1980s.

But there are bright spots in the French insurance landscape. Mr. Wheelhouse regards Axa-Midi as "completely different from the rest of the French industry. The way Axa is run is very exciting, and its acquisitions of Equitable in the U.S. and National Mutual Life of Australasia in the antipodes are excellent acquisitions."

"This is a stock you can safely buy as a core holding," Mr. Wheelhouse said. "You couldn't have said that about any French insurer five years ago."

Simon Rudolph regards Axa as one of the few genuinely international European insurers: "Axa stands out head and shoulders above the rest as the best insurance company in France." But, he cautions in-

vestors who rush to buy, "this seems to be reflected in the share price."

Emerging from the pack in France, some analysts point to Union des Assurances de Paris, or UAP, as having considerable asset strength, although its aggressive program of acquisitions across Europe is seen in many quarters as having been expensive — a factor that may not yet be fully discounted in the share price.

Italian giant Generali is described in glowing terms by one New York analyst, who requested anonymity, as "one of the best and most underestimated companies in terms of pursuing a strategy for the continent of Europe." That strategy has most often been to form alliances and joint ventures in Europe, rather than trying to buy its way in across borders.

But the key attraction of the company, according to Mr. Wheelhouse, is Generali's "strong home market position. It has a good domestic base and can roam abroad without going for the kind of high-profile acquisitions that the French embarked upon. The result has been some excellent some excellent business effected in Eastern and Central Europe. You might almost say that Generali is really a Central European insurer rather than an Italian company."

One question mark that hangs over the company, however, concerns its involvement with Axa. Generali has invested hundreds of millions of dollars in the French insurer without having a significant say in its strategy. Both companies say they are seeking to simplify the situation and that they wish to do business together.

Analysts, however, are waiting for something more concrete than mere words to emerge from the situation.

London may remain the world's insurance center, but individual British companies are way behind their Continental rivals in terms of size. Prudential Corp. PLC, Britain's biggest life insurer, made a respectable £335 million (\$520 million) over the first half of the year.

But analysts regard the company as suffering from the British malaise of too heavy a dependency on cyclical personal products like automobile and household insurance. This, plus strong competition in the U.K. marketplace, is seen as hampering the long-term earnings growth of companies such as Prudential and Guardian Royal Exchange.

The Money Report is edited by  
Martin Baker

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THE WORLD'S DAILY NEWSPAPER



## THE MONEY REPORT

## In Europe's 'Single' Market, Expatriates Can and Should Shop Around

By Barbara Wall

**M**OST people will buy life insurance at some time or another. But if you are relocated to another country, what exactly are your options?

Within Europe there would appear to be four choices:

- An insurance policy bought locally;
- A policy purchased from a company in another member state;
- A pan-European life insurance contract, available mainly in Britain;
- An international policy from one of the many offshore insurance companies that specialize in the expatriate market.

Ian Nicholson, director of the International Consultancy Group, an independent financial adviser in Paris, says the choice of insurance contract will depend largely on the length of the expatriate assignment.

"If the client is intending to stay in France long-term, and is interested in purchasing straightforward term insurance, we would usually recommend that he buy a local insurance policy," he says. "While it may be possible to find cheaper cover in another member state there will always be a currency risk to consider."

"Opportunities do exist to buy multi-currency investment products with life insurance attached," Mr. Nicholson said. "However, the insurance element is usually very small."

It was widely assumed that the European Third Life Insurance Directive, which came into effect in April 1994, would standardize insurance law throughout the EU and stimulate competition.

In fact, while the EU law governing the life-insurance industry is smoothing out, the dynamics of the member markets remain very fragmented.

According to BEUC, the European consumers association, the competitive situation varies enormously from one country to another — from highly diversified in Britain and the Netherlands to restricted in Portugal

and Greece to highly concentrated in Italy.

Not surprisingly, the countries where premiums are lowest tend to be those where market forces set premiums. These include Britain, Ireland, France and the Netherlands. The more expensive countries — Greece, Portugal and Germany — are those where central authorities continue to play a role in setting prices. Consumers in Portugal, for example, could pay up to five times the premium of consumers in Ireland for a similar insurance contract.

Faced with such huge price differentials, it would seem to make sense for consumers from high tariff countries to shop cross border. However, language difficulties, administrative barriers and tax restraints continue to thwart opportunities for cross-border insurance sales.

Despite these hurdles, a handful of companies offer pan-European term insurance to expatriates and consumers from other member states.

Cygnus Life in Britain and the Dutch insurer Nationale Nederlanden offer term insurance in a range of currencies. Nationale Nederlanden will also provide proposal forms in English. Several other British insurers offer sterling-denominated contracts to non-residents, though they may insist that the client have a bank account in Britain.

An increasing number of insurance companies are setting up offices in Dublin and Luxembourg to market pan-European investment products into Europe. Investors can choose to add life insurance to the investment product so that the premiums qualify for favorable tax treatment in the investor's country of residence.

Old Mutual International in Dublin offers single- and regular-premium savings products with optional life insurance add-ons. Premiums can be paid in Deutsche marks, Dutch guilders, French francs and Belgian francs. Michael Lang, business development manager for Old Mutual, says that the cost of the life-insurance element is based on U.K. term-insurance rates.

The main drawback with many of these

policies is that investors are unable to switch between currencies when they move to another country. Mr. Nicholson advises clients who move around frequently to consider taking out an international insurance policy with an offshore insurer.

"A local contract, or a pan-European product, may not be ideal if the client relocates outside of Europe," he says. "The insurance company is unlikely to have much experience of other markets and will probably charge a much higher premium, or decline to offer cover."

Generali in Guernsey is one of the many offshore life companies that specialize in the expatriate market. It offers term insurance and regular savings plans with built-in life cover in multiple currencies. Clients can also switch between currencies if they relocate to another country.

"Many of our clients require a portable insurance contract that offers cover in a number of different countries," a Generali spokesman says. "Local insurance contracts are rarely portable."

"Moreover, individuals could lose accrued benefits on such policies if they relocate within the vesting period, which is typically three years," the spokesman says.

Most EU member states allow citizens to deduct insurance premiums from taxable income provided the policy is bought locally. Generali acknowledges that it is unlikely that citizens would be able to do that if the policy were bought from an offshore insurer — though even within Europe it is not altogether clear if citizens can take advantage of home-country tax deduction rules when they buy insurance from a company based in another member state.

**I**f life insurance is fast becoming one of the least parochial sectors of the European insurance industry — at least according to some observers — the lack of progress at "harmonizing" automobile insurance across the EU makes up for it — and, say experts, it is likely to lag for some time to come.

John Beck, a consultant with Tillinghast

a group of actuaries in London, says he would be "very surprised" if an insurance company offered local automobile insurance rates to a non-resident foreigner.

"Motor insurance underwriters calculate premium levels according to such factors as levels of car theft, road accidents and road congestion in the home market," Mr. Beck explains. "As the extent of these risks vary widely throughout the EU, it would be impractical to apply local rates in another member state."

Some automobile insurers do market their products in other European countries. However, the premium rates are generally tailored to the risks inherent to the target market.

One underwriter notes that a number of British, French and Dutch insurers have started to market products in Germany — a country that, until recently, was effectively closed to foreign insurers.

What does all this mean for the individual insured?

Mr. Beck does not expect the increased competition that has resulted from the European single market in non-life insurance will work to reduce automobile insurance

## Annual Insurance Premiums in Europe

Car insurance				Life insurance*			Cross-border insurers*		
				Male Age: 30	40	50	Male Age: 35	Smoker	Non-smoker
Britain	\$494								
Luxembourg	\$472								
Switzerland	\$458								
Spain	\$392								
Austria	\$368								
Germany	\$323								
Italy	\$297								
Portugal	\$237								
Canada	\$205								
Denmark	\$165								
Finland	\$137								
Sweden	\$125								
Greece	\$114								
Netherlands	\$ 68.4								

\* 10-year term insurance for £100,000 (\$158,000)

Source: Company reports, Tillinghast auto insurance report.

premiums to a significant degree.

He does, however, anticipate that competition will encourage product innovation and will improve levels of service.

"A few markets have very simple rating structures. Consequently, some people are

paying more than they need to pay for cover, while others are paying less than they should be," he says. "Increased competition is likely to broaden premium rating in these markets and create a more personalized rating structure."

## Firms Develop New Policies for HIV Risks

By Laura Colby

**I**N the United States, acquired immune deficiency syndrome and AIDS-related disease have become the leading cause of death for people between the ages of 25 and 44 — and thus one of the leading causes of death for employed people.

However, the feared financial strain on the life and health insurance industry due to AIDS-related claims hasn't re-

ally materialized, according to industry studies.

In the United States, insurance companies spent \$1.586 billion on AIDS-related health and life claims in 1994, according to the annual AIDS Claims Survey conducted by the American Council of Life Insurance and the Health Insurance Association of America.

That was up only slightly from \$1.516 billion a year earlier. Group health claims actually declined, to \$446 million last year from \$484 million in 1993, according to the survey.

This is not because of any good news in the battle against the disease, which is estimated to have infected one million people in the United States alone and which still has no cure.

In fact, overall AIDS-related claims are up nearly fivefold since the surveys began in 1986.

However, industry analysts say that the annual cost of treating an AIDS patient has dropped sharply. In the area of \$100,000 or more in the early 1990s, it is now \$65,000 to \$73,000, according to a government survey.

That makes treatment of AIDS comparable in cost to that of other catastrophic illnesses such as cancer.

The other reason insurance companies have not faced an overwhelming flood of claims, analysts say, is that many of the new cases of the disease are among groups such as intravenous drug users and their partners — people who in general aren't covered by individual or group life insurance.

This means that the financial burden of the epidemic is being shifted to the government, which will be forced to pick up the tab through programs such as Medicaid.

Insurance companies are coming up with ways to adapt their coverage to people with AIDS or people who are at risk.

The result is that purchasers of insurance who are healthy but fear that they might be at risk for contracting the human immunodeficiency virus, or

HIV, that causes AIDS now have a number of options open to them.

For instance, many life insurance companies now provide buyers of new insurance policies with the option of cashing in a life policy early to help pay medical or other costs if the insured person is diagnosed with AIDS.

The Prudential, a life insurance company based in New Jersey, was one of the first to offer this option, which is available to anyone who has been diagnosed as having a terminal illness, according to a spokeswoman, Karen Howell.

The so-called Living Needs Benefit, which has been offered for about five years, isn't aimed specifically at people with AIDS, she added.

This option is offered at no extra charge to anyone who buys more than \$50,000 of life insurance, she said.

**A**NOTHER company, American Physician's Life Insurance Co., offers a special policy for doctors, dentists and other medical professionals who risk contracting the virus accidentally through their work.

The policy pays 25 percent of its death-benefit value when the individual tests positive for HIV. The insured person receives the remaining 75 percent of the money when he or she is diagnosed as having AIDS.

Some companies are even making the early cashing in of a life policy into an investment. Dignity Partners Inc., a company based in San Francisco, is one of many that purchase life insurance policies from people with AIDS or other terminal illnesses, and then use the policies as collateral for bonds sold to institutional investors.

Although several years ago many insurance companies began requiring a test for the virus as a condition of writing new policies, people who have HIV can and do still get new health and life insurance, at least in the United States — by becoming part of an employee insurance program where they work. Typ-

ically, employers don't require a physical examination before such insurance is granted.

Under the Americans with Disabilities Act signed by President George Bush in 1990, it is illegal for employers to discriminate against employees with disabilities, and that includes discriminating in terms of benefits such as employer-sponsored insurance coverage.

Employers, therefore, must provide all employees with the same health insurance, whether they are disabled or not.

In fact, U.S. court decisions in the past few years have also struck down attempts by insurers to cap the amount of benefits an AIDS patient can receive.

AIDS-related claims account for 10 percent of all claims under the disability act.

Not all companies have to be taken to court to get fair treatment for people with AIDS, however.

Many companies have adopted employee awareness programs to educate staff members and their families about the disease.

Some companies, such as the Chubb Group of insurance companies, offer special working conditions, such as flextime or telecommuting, to employees with AIDS.

At Pacific Telesis Group, "we treat AIDS like any other serious illness," says Jill Foley, a spokesperson for the California telecommunications company. That means full medical and disability coverage, plus a cash-out option of company life insurance policies for the terminally ill.

Pacific Telesis, based in San Francisco, used to provide an AIDS education program for its employees, Ms. Foley says, but unfortunately the disease has now become so common that a formalized program is no longer necessary.

Instead, she says, the company's employee counseling program has received many requests from AIDS support groups to work with them on a more specialized basis to help employees and their families deal with the loss of a loved one.

## BRIEF CASE

## An Africa Fund For Small Investors

GT Management PLC, the European arm of the U.S. fund management firm, is launching a new vehicle for small investors who want to make a long-term commitment to Africa.

The GT Africa fund is aimed at the serious investor — chiefly the professional and the institutional — seeking long-term growth. The fund, which will stop taking subscriptions after it has raised \$75 million, will be listed on the Irish stock exchange and domiciled in the tax-privileged location of Bermuda.

The fund is expected to commit no more than 40 percent of its money to the South African market — by far the most heavily capitalized and sophisticated African stock market — but it will also diversify across many countries and industrial sectors.

The managers say they have identified the financial sector, companies benefiting from the building of Africa's infrastructure, horticulture, mineral resources and tourism as offering the most potential.

"Although South Africa dominates the continent in terms of both economic activity and stock-market capitalization, it is important to remember that a number of smaller African markets are of similar sizes and levels of development as those of Thailand, Argentina and Turkey in the late 1980s," said John Legal, the fund's manager.

"We see the adoption of sensible free-market policies, consistent with higher investment and improved economic

growth, as a trend which is set to continue," he added.

Shares are denominated in dollars, and dealing is also conducted in Hong Kong dollars, British pounds and Deutsche marks.

There are two classes of shares: A-shares have an initial minimum investment of \$10,000, while the minimum commitment for B-share investors is \$250,000. There is an initial charge of 3 percent, and an annual charge of 0.75 percent for A-share investors.

For more information, call GT Management in London at (44 171) 710 4567.

## Are You Fearless? Take This Test

Investors who had their money in Mexico a little under a year ago will know that emerging-market investors need strong nerves — or an uncanny sense of timing.

According to Fund Research Ltd., both Africa and Eastern Europe have much to recommend them at the moment.

"Africa has some of the lowest income-per-capita numbers in the world," says Janet Chisholm, an analyst at the independent research firm's London office. "Thirty years of stagnation have left their mark, but we believe South Africa has the potential to act as a catalyst to stimulate this important world economy."

The result of Fund Research's recent field trip to Eastern Europe was even more optimistic: "The region combines Asia's growth characteristics

with Latin America's monetary fragility but has the advantage of low equity valuations to make the entry point easier and the downside risk more tolerable," concluded the firm.

## Capitalizing on The New China

Morgan Stanley Capital International has produced a China equity index comprised of 24 Chinese shares available to international investors.

According to its creators, the index seeks "to accurately reflect the performance of [the Chinese] markets" by, among other things, "replicating the industry composition of the local market; by avoiding companies with excessive cross-ownership; by including a representative sampling of companies with small, medium and large market capitalizations, and taking into consideration the stocks' liquidity."

## You Win Some, You Lose Some

Emerging markets were not the place to be for hedge-fund investors, according to TASS Management Ltd. They were flat over the last quarter, and down 3.21 percent over the first nine months of the year, says the London-based firm.

Global macro hedge funds added a spectacular 14 percent over the quarter, and hedge funds that buy "distressed" securities gained 6.5 percent.



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## THE MONEY REPORT

## In Spite of Obstacles, EU Life Insurers Chase Cross-Border Business

By Aline Sullivan

**L**IFE insurance was always expected to be one of the laggards of the European single market program. Instead, little more than a year after barriers to foreign competition were officially dismantled, investors throughout the European Union are being courted by a host of foreign companies.

The single market for life insurance supposedly came into effect on July 1, 1994 when the First Life Directive took force. In common with most EU edicts, however, theory wasn't transformed into practice for months in many members states.

Two countries, Spain and Greece, have yet to incorporate the directive into national law and in several others taxation anomalies mean that barriers to foreign competition still exist, according to a recent report by the Comité Européen des Assurances in Paris.

But insurers have nevertheless made substantial gains.

"Considering that the pan-European insurance has only existed legally for a year and has not even been

passed in some countries, progress has been excellent," observed James Ball, head of management consultancy J.B.I. Associates in Luxembourg.

"In just the first four months of this year, total cross-border life business for companies based in the Grand Duchy exceeded the 1994 total of \$1.5 billion," he said.

Luxembourg draws many European life insurers, 35 at last count, thanks to its central geographical position and reputation for financial secrecy. Dublin, which offers companies considerable tax savings, is the next most popular choice, and six major life companies are now operating out of its International Financial Services Center.

Wherever they are based, the success or failure of life insurance companies in the single market depends heavily on their distribution channels. Two obstacles, tax and culture, have made establishing these channels hard going.

"It is difficult enough for companies to have good distribution in their home market. To do it elsewhere is extremely difficult," said Jan Kamieniecki, a partner at consulting actuary Bacon & Woodrow in London. "What gets sold as life insurance in the dif-

ferent countries varies enormously."

For example, in Britain, where 70 percent of total premiums are spent on life insurance—making it the world's third biggest life market after the United States and Japan—most life products are now unit-linked. The German market is still dominated by 30-year regular premium endowment contracts and the French market by eight-year, single-premium bonds.

Industry experts point out that these are very different products. The former is a regular savings plan that puts money into a conservatively managed fund with an annually increasing guaranteed return, plus life cover for the duration of the plan. The latter is a one-time investment into a given asset class (the term "bond" here is a marketing device and does not imply that investors are buying sovereign or corporate debt, i.e., bonds in true sense).

"One of the major determinants of who buys what comes down to tax," explained a London-based analyst. "A French product designed to take advantage of Dutch tax breaks won't sell well in Spain."

According to Patrick Devine, a European insurance specialist at London

law firm Allen & Overy, the European Commission is not yet in a position to demand that member states tax policies issued by foreign companies on the same basis as domestic policies. "In countries where the tax advantage is a major selling point, there will always be a question mark over the ability of foreign insurers to sell," he said.

This problem was well illustrated last year when Sweden instituted a 15 percent tax on life insurance premiums paid to companies based outside the country. Leading Swedish insurer Skandia AS, which markets Swiss, German and offshore policies to Sweden, objected furiously. It has taken the government to court in Sweden and asked the European Court of Justice to comment on the case.

The court is likely to favor Skandia, if its recent ruling on pension tax is anything to go by. Earlier this year it ruled in the case of Wielockx versus the Dutch tax authorities that a EU member state cannot allow its residents to deduct their pension fund contributions from their taxable income while denying this right to non-resident EU nationals receiving all or most of their income in that country.

Tax anomalies will exist until the European Commission is able to convert its existing recommendation on harmonization to a directive. And that will take years. But changes within member countries mean that tax is becoming less of an issue.

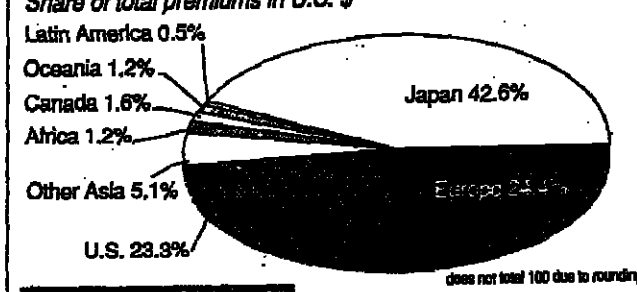
Governments in many European countries have cut tax breaks for most forms of life products, except for retirement plans. As a result, life insurance policies are becoming more standard and easier to sell directly or through banks. This, in turn, makes them easier to sell across borders.

The cultural obstacle is more difficult to overcome. "In theory, there is nothing to stop U.K. citizens from buying a Spanish policy but they don't," an analyst said. "Life and pensions are much more image sensitive than, say, motor insurance, and people like buying products from companies that they know."

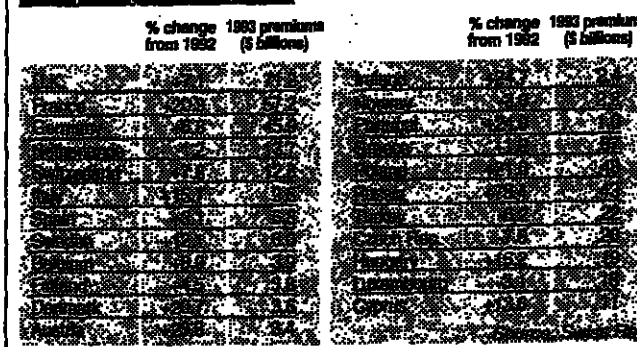
To date, no U.S. life insurer has established a pan-European presence. Industry experts say they expect this situation to change, possibly as early as next year. This will make it easier for Americans working in Europe to repatriate their policies on their return.

## World Life Insurance Market

Share of total premiums in U.S. \$



European premiums 1993



## A Cautionary Tale About War, Medical Insurance, and Sea Snakes

By Digby Lerner

## Comparative Health-Care Spending

Country	Health-care spending as % of GDP	Public sector
U.S.	14.1%	74%
Canada	10.2%	74%
Switzerland	9.9%	74%
France	9.6%	74%
Austria	9.2%	74%
Finland	8.8%	74%
Netherlands	8.7%	74%
Germany	8.6%	74%
Australia	8.5%	74%
Italy	8.5%	74%
Belgium	8.3%	74%
Iceland	8.3%	74%
Norway	8.2%	74%
New Zealand	7.7%	74%
Sweden	7.5%	74%
Japan	7.3%	74%
Spain	7.3%	74%
Portugal	7.3%	74%
UK	7.1%	74%
Luxembourg	6.9%	74%
Ireland	6.7%	74%
Denmark	6.7%	74%
Greece	6.7%	74%
Mexico	4.8%	27%
Turkey	2.7%	27%

Source: OECD

**M**RS. X (not her real name), a British expatriate living in Asia, settled down on a remote Cambodian beach to unwind from a hard week's work—and was bitten by a poisonous sea snake.

Local doctors did what they could, but it was only by virtue of her medical insurance that she was able to be evacuated to a well-equipped hospital.

"She's fully recovered and back at work now, but it was a close call," said David Pryor, a director with Expacare, a British medical insurer specializing in expatriates.

If you are currently an expatriate or are about to become one, you may think you have more pressing concerns than checking out your medical insurance coverage. Think again.

Unlike people taking short vacations abroad—a market where the available health-insurance plans are pretty similar—those living and working abroad are faced with a wide range of options, and an even wider range of risks.

Even if the employer provides medical insurance as part of its expatriate package, experts stress that employees

needs to ensure they know exactly what it covers.

"The most important consideration is how much experience the insurer has," Mr. Pryor said. "Dealing with medical claims is a very specialized area, so it's good to know the company you choose has a long and successful track record."

Just as important is the type of country the expatriate will be working in. In the United States, for example, where health-care costs are high and insurance coverage is spotty, Mr. Pryor recommends that expatriates buy "the works": a minimum \$500,000 cover, outpatient care, drugs, physiotherapy. If possible you should also opt for routine dental treatment and pregnancy cover.

In a developing country, on the other hand, this level of coverage would be excessive. Not only are medical costs likely to be much lower, the range of available treatment will be more limited.

"Cover for dental care would be a waste of time in some countries, where you can't buy good treatment at any price," Mr. Pryor said.

In poorly equipped or isolated regions, much more emphasis needs to be placed on evacuation coverage to ensure that the patient can be airlifted

speedily to the nearest hospital. Good evacuation coverage provides air ambulances if needed and also guarantees the patient is transferred to the nearest center able to deal with specific types of illness. And because these are likely to be private clinics, say advisers, the plan needs to cover much more than just the airplane.

Private medical insurance is growing worldwide, not only because the number of expatriates continues to increase, but also because the increasing burden of medical costs is weighing heavily on governments that previously provided state-backed programs.

Recent events in the Middle East show how quickly good medical provision can melt away as circumstances change. Prior to the Gulf War several of the Gulf states provided expatriates with free medical coverage. Since then Middle Eastern governments have found themselves struggling financially and now demand that expatriates make their own provision. Some will only renew work visas for workers who can show they are either covered by their own country's state system or by an approved medical insurer.

The pressure of medical costs can even cause deterioration in countries where provision is already near zero. East European countries have been

particularly hard hit in this respect, with already poor standards declining further in many areas since the fall of communism.

The problem has become so acute that a Unicef report published last August claimed mortality and health problems in former East Bloc countries are the worst Europe has seen this century. While some countries, notably the Czech Republic, are making efforts to improve the situation, progress is slow.

David Boyle, executive director of the BUPA private health company in Britain, said that being well-informed about local provision is the key to buying adequate coverage.

Even those returning home for a brief break may find themselves out of cover. With most plans the policyholder is forced to buy new medical coverage in the home country. This means, for example, that pre-existing illnesses are taken into account and could either push up the premium or lead to the policyholder being refused coverage altogether.

Some insurers, aware of the problem, have come up with a way around it. American Express Insurance Services in Britain, for instance, now offers a travel medical insurance policy that covers cardholders in their country of residence as well as on the road.

icyholders should consider the restrictions. Dangerous sports are often excluded from basic policies. That means a spur-of-the-moment decision to try your hand at water skiing could take you beyond the scope of the policy if things go wrong.

Insurers are normally happy to take on such risks but usually charge an extra premium for them. The golden rule, say advisers, is to check out the policy details beforehand.

More innocent excursions can be just as problematic. Many expatriate policies are specific to the country of residence, and therefore may not cover you while you are away.

Even those returning home for a brief break may find themselves out of cover. With most plans the policyholder is forced to buy new medical coverage in the home country. This means, for example, that pre-existing illnesses are taken into account and could either push up the premium or lead to the policyholder being refused coverage altogether.

Some insurers, aware of the problem, have come up with a way around it. American Express Insurance Services in Britain, for instance, now offers a travel medical insurance policy that covers cardholders in their country of residence as well as on the road.

## How to Profit From One of the World's Most Reliable Growth Industries

By Ann Brocklehurst

**L**IFE insurance may be one of the most common ways to cash in on death, but it is far from the only one. A handful of North American funeral-home companies are rapidly expanding, chalking up increased profits and revenues as they grow both at home and abroad.

The companies—the largest of which are Service Corp. International, Loewen Group Inc. and Stewart Enterprises Inc.—hope to benefit from the economies of scale achieved when they buy out small independent funeral homes as well as from offering consumers new products and services.

Together the big three companies still own only 10 percent of funeral homes in the United States, which, according to David Jarrett, senior vice-president of Gerard Klauer Manton in New York, means "there's

plenty of room to grow."

While funerals are still primarily a family business, passed down through the generations, recently heirs have been reluctant to continue the tradition—a trend that, experts say, makes for lots of acquisition candidates.

Consumers, moreover, may not be able to distinguish between an independent and chain-run funeral business, since the big companies rarely change a home's name or publicize their presence. The philosophy is that people want to deal with a business they know and trust. Loewen Group says it tries to persuade at least one family member to remain with the business after it is acquired.

Acquisitions in the industry have remained strong this year. To date in 1995, Loewen, a Canadian company based in Vancouver and traded on the Nasdaq Stock Market, has agreed to buy \$758 million worth of funeral homes and

cemeteries in the United States and Canada.

Service Corp., which is headquartered in Houston and bills itself as the largest funeral and cemetery service organization in the world, bought out the Gibraltar Mausoleum Corp. of Indiana for \$99 million and 3.29 million shares of its common stock.

The company, which trades on the New York Stock Exchange, has extended its shopping spree abroad. This year it purchased a controlling interest in two funeral subsidiaries of France's Lyonnaise des Eaux for some \$423 million, and in 1994 it moved into Britain with the acquisition of Great Southern Corp. for \$173.8 million.

Consolidation has boosted Service Corp.'s revenues for the first nine months of this year to \$1.1 billion, up 37.5 percent from the same period last year. The company's net income climbed 32.5 percent, to \$127 million, in the same period.

Loewen's nine-month sales increased 40 percent, to \$422 million, as profits rose 35 percent, to \$37 million.

Both companies are benefiting from "clustering," a strategy that allows funeral parlors to cut fixed costs by sharing a range of services, from hearses to employees, thereby producing economies of scale.

"Vehicles are very expensive, and you want your employees to stay busy," explains Susan Little, an analyst with Raymond James & Associates in St. Petersburg, Florida. "In Houston, they have central embalming."

Ms. Little—who, not coincidentally, estimates that the number of deaths in the United States will rise from 2.30 million in 1994 to 2.56 million in 1999 and 2.60 million in 2010—has "buy" recommendations on two companies: Service Corp. and Stewart, which specializes in the cemetery side of the business and is based in

New Orleans. She believes that Loewen already trades at fairly high price-earnings multiple and recommends it only for "accumulation."

Earlier this month, Loewen shares lost more than a quarter of their value when a Mississippi jury ordered it to pay \$500 million to an acquisition target. The company had accused Loewen of reneging on a 1991 purchase agreement valued at only \$8.5 million.

Despite the Mississippi verdict and another \$200 million lawsuit from the Pennsylvania-based insurer Provident American Corp., analyst Keith Mullins of Smith Barney continues to like Loewen stock and believes it will outperform the market. He expects the jury's award to be substantially reduced during the appeals process Loewen has begun.

In their quest for customers—and shareholders and acquisition candidates—the big U.S. "death care" corporations

are changing the dynamics of the funeral business.

The industry's image as an exploiter of grief has never really recovered from the unflattering portrait painted by the journalist Jessica Mitford in her 1963 book, "The American Way of Death." Nor is it helped by periodic scandals, such as the recent case of a Florida undertaker who received money from absent relatives for the burial of bodies which he then simply stored in a warehouse.

Analysts point out, however, that this negative image is either outdated or applicable only to the shadiest of small private enterprises—not to modern public corporations with shareholders and regulators to answer to.

The large funeral companies, like large companies in any industry, also have to keep an eye on the antitrust authorities in the various countries in which they do business. As a result, the companies have broadened

their range of products, offering more modest coffins and simpler services in addition to the sort of deluxe funeral that can cost thousands of dollars.

Companies that operate internationally also have to be sensitive to local preferences in order to prosper. In Britain, Australia and Canada, where cremation is more common than it is in the United States, funeral homes focus on selling urns and commemorative plaques rather than burials.

And all companies are placing greater emphasis on "pre-need" funerals, which allow consumers to choose and pay for their funerals in advance and save their families from having to make such decisions in times of stress.

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## From Policyholder to Shareholder in One (Fairly) Easy Step

**I**NDIVIDUAL investors can make money out of insurance companies—even if the company in question is not quoted on a stock exchange.

The secret is to be a policyholder in a company that is changing its status from a mutual association—an entity which is wholly owned by its policyholding members—to that of a corporation.

The change of status for policyholders is from association member and owner of a fraction of unrealizable assets to that of stockholder of a listed company.

Swiss Life, which said this week that its policyholders will decide in mid-1997 on the planned transformation of the mutual company into a publicly owned company, provides the latest example of this phenomenon.

The commercial logic of the move, according to the management of the company, is greater access to capital markets.

If the change of status follows the pattern of similar international transactions, the move could be highly profitable for Swiss Life's existing members.

Scottish Mutual, a Glasgow-based life-insurance company,

was formerly a mutual society. But after its management agreed a deal with Abbey National, a British bank—itsself a recently corporatized building society, or thrift institution—members received a cash bonus as compensation for the bank's acquisition of assets and goodwill.

Australian and New Zealand policyholders of National Mutual Life of Australasia experienced a similar financial windfall when their mutual society was acquired this summer by French insurer Axa-Midi.

Policyholder approval of the deal was far from a foregone conclusion, and Axa's public relations officers had some hard work to do when difficult questions were asked about French nuclear testing in the South Pacific at a members' meeting in Melbourne.

But members were ultimately won round by a combination of Axa's argument that it should be regarded as an international rather than a French company, and the financial benefits to both the mutual association and the members themselves.

Swiss Life is Switzerland's biggest life insurer. It said in September it would sell shares to the public in mid-1996 or mid-1997.

About 500,000 policyholders in Switzerland will be able to vote on the change, and two-thirds will have to agree for the share sale to go through, Swiss Life said in a statement.

Current holders of Swiss Life participation certificates will also decide in 1997 on the conversion of their non-voting shares into the Swiss Life shares that are to be created.

Swiss Life also said in September that Union Bank of Switzerland, the country's biggest bank, would take a 25 percent stake in the company.

Assuming that the company gets the majority its wants and the conversion to corporate status goes ahead, policyholders-turned-shareholders will face a dilemma common to every owner of stock in a hot new flotation: If your approach to owning shares is purely financial, just how long should you hold on?

Some analysts argue that in the world of new issues, the longer you hold on to your shares the more likely you are to end up a loser.

Should investors still be holding shares? "I might be a little nervous right now," said Jay Ritter, a finance professor at Massachusetts Institute of Technology's Sloan School of Management who specializes in initial public offerings, or IPOs.

The initial pop that sends highly hyped shares soaring in the first days of trading is standard in the IPO market, experts say—and so is the stagnation that follows a few months later.

Between 1970 and 1990 IPOs posted an average total return of 16 percent if bought and held for five years, according to a study by Mr. Ritter and Tonia Loughton, a finance professor at the University of Iowa.

Investments in comparable companies that weren't newly public posted an average return of 66 percent over the same five-year period.

Many IPOs start life when things look great—which is both their blessing and their curse.

Companies typically go public when the overall market is at or near a peak. Also, many companies that go public tend to be in industries that the financial world loves for that moment.

Just now, for example, investors can't get enough of software companies that link computers in networks or help computer users browse the global computer network.

Unfortunately, market highs end. "The smaller offerings tend to do exceptionally bad, and young companies tend to do exceptionally bad," Mr. Ritter said.

Small and young describes plenty of recent U.S. equity issues. The Bloomberg IPO Index, a capitalization-weighted index of the performance of new issues in their first year of trading, dropped around 10 percent in the early part of last month.

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DAVE BARRY

## While Waiting for a Pizza

MIAMI — People often ask me: "Dave, what's the biggest advantage of working at home, other than that you don't have to get dressed until 4:30 p.m., when the pizza-delivery person arrives with breakfast?"

I would say that the biggest advantage for me, as a writer, is that, instead of writing, I can spend an enormous amount of time watching daytime television. For example, I strongly recommend "Hawaii Five-0," starring Jack Lord as Steve McGarrett, a man with the emotional range of Formica, who, on the basis of owning more suits than anybody else, has been given the job of fighting all the crime in the Hawaiian Islands. This is not easy, because Steve's entire police force consists of just three men (two of whom are named "Chin") who mostly just stand around, cowl-like, unable to blow their own noses without explicit instructions from Steve. This means that Steve just about always ends up capturing the bad guys himself, usually after a shootout, which Steve always wins because he can deflect bullets with his hair.

But for sheer reliability of plot, you can't beat reruns of "Baywatch," the popular series featuring female lifeguards who are required by law to wear impossibly tight bathing suits all the time, even at the supermarket, in case they suddenly have to rescue somebody. Their job is to guard No Fat Beach, which is covered with civilians who also have incredible bodies. Every few minutes some guy with a normal body shows up, and he immediately becomes depressed, because next to these people he looks like the Pillsbury Doughboy. In despair, he dives into the ocean and starts drowning, which is the signal for several female lifeguards to run toward the water. It takes them about 15 minutes to get there; the No Fat Beach lifeguard station is apparently located miles from the actual ocean. So most of the show consists of close-up shots of these women's bodies running, running, running. Fortunately, the Pillsbury Doughboy is a terrible drowner, so he's always still alive when they finally get to him. Then it's time for a commercial, after which we return to the beach and... Uh-oh! ANOTHER victim is drowning! Time to start running again!

But as good as the dramatic reruns are,

they don't hold a candle to the first-run shows. When you check these out, you'll need a remote control so you can zap rapidly from one to another, to fully appreciate the breadth of issues being covered by leading thinkers such as...

Maury Povich, and today we're taking a long-overdue look at the issue of men who force their wives to dress up exactly like O.J. Simpson defense attorney Barry Scheck and then have sex with...

Ricki Lake, and today we'll hear from six women who say: "I am FED UP with the way my best friend's mother's lover's wife's daughter's boyfriend, whose baby I am having, has been sneaking around behind my back having an affair with..."

Newt Gingrich, among others, and that is why, Mr. Speaker, I call upon the estimated six Americans watching these proceedings on C-SPAN to support my bill to create a U.S. Commission on Sponge and Oyster Diseases, which will ensure that future generations of Americans will be able to enjoy...

sex with cross-dressing anorexic sheep fenders who claim they acquired venereal warts from...

Judge Warner, who today will consider the case of a woman whose doctor diagnosed her with appendicitis, but when surgeons opened her up, they were shocked to discover...

this genuine cubic zirconium pendant with a retail value of \$385,000, but YOU pay only \$9.95, because as a member of the Home Shopping Network, you get to...

carry the love child of...

Danno, Chin and Chin! I want you to interview every right-handed person on Oahu and find out who...

is routinely having wild, margarita-smashed sex with...

the Pillsbury Doughboy. Speaking of whom, my pizza is here.

Knights-Ridder Newspapers.

## The Odd Boxes of Marie-Claude de Brunhoff

International Herald Tribune

PARIS — Literary Paris, and literary New York and London as well, collected here last week for the usual gossip and, more unusually, for a laugh and a look. "You had me fooled," a man from Gallimard told Marie-Claude de Brunhoff, for whom they had gathered.

Everyone knew for years that de Brunhoff, an otherwise extremely soignée Parisian, has been scavenging

MARY BLUME

for odd small objects and arranging them in boxes. But this was taken as an amiable diversion from her work as a reader and scout for Gallimard, Calmann-Lévy, HarperCollins and Knopf. The highly professional result is revealed in her first solo show at the Samy Kenge gallery at 54 rue de Vercueil, called "Les Théâtres immobiles," or Motionless Theaters, in which the boxes serve as stages for the most unlikely accounts of myth, history and art.

Asked by an earnest publisher for the source of her inspiration, de Brunhoff replied that it was simply laughter. "If a box makes me laugh I go on, if not I take it apart."

What is going on in the boxes is antic and odd, both smartly Parisian and open to whatever the viewer wishes to make of it — de Brunhoff likes to line the boxes with slivers of mirrors because, she says, this makes them endless and unlimited. It also involves the viewer in the scene.

The titles, such as "The Dreams of Venus de Milo," "Die Freischütz," "The Rape of Europa," and "Adam and Eve" may sound conventional, but the statue of the Venus de Milo reclines in a Japanese hammock and isabout to be intruded upon by a rhinoceros; the hunter of "Die Freischütz," found in a junkstore, stands foursquare next to a small rabbit ("I don't know that that's Weber's sense of humor but it's mine," de Brunhoff says); Europa is a transparent plastic damsel complacently strapped to a horse rather than a bull ("I couldn't find a bull, and anyway why not?"); in "Adam and Eve" Adam is a Victorian gent (cut from a print in a publisher's catalogue) reading a newspaper with his back to the scene, which makes it all the more understandable that a modish Eve would be enticed by the gorgeous and attentive snake.

The inspirations range from Max Ernst's "A School of Fish," transformed into "A School of Fans," to Cardinal de Bernis, a French libertine who consorted with Casanova and his ladies in Venice (the cardinal is made from a squid-shaped fishing lure), to a hermetically Lacanian "Creation of the World" to St. George and the Dragon, which appears in four versions, in the first of which St. George is defending the maiden with a tiny arrow, while in the last, bigger box the scene is influenced by Uccello; the maidens have become triplets and the splendid dragon is the story's star. "I am definitely on the side of the dragon," de Brunhoff says.

De Brunhoff is widely traveled and multilingual, born



Marie-Claude de Brunhoff at the Paris exhibition of her playful boxed scenes from myth and history.

in Paris, raised partly in Mexico, for many years a resident of Célesteville while married to Laurent de Brunhoff of "Babar." She made her first assemblage about 20 years ago for her friend the Argentine writer Julio Cortázar, with whom she used to exchange Dracula books. It was in a cigar box and she assumes that when Cortázar died his estate, thinking it was just a cigar box, threw it away.

She soon graduated to wine and fish crates from neighborhood merchants and when she travels she always carries a sweater, no matter what the weather, to wrap her findings in. "I never know what I am looking for, my eye just catches things wherever I am, wherever I go."

She doesn't go much to flea markets because she finds them sad. Full-length statues of men are hard to find, she says — "they are usually just busts of important figures" — though women are easy and an image of Pauline Borghese stands in for both Dido and the princess of Trebizond.

In Samarkand she found the black veiled headdress that forms part of the backdrop of the last St. George, the maiden from the third St. George was found in a souvenir shop on the top of Mount Vesuvius. Another damsel comes from the top of an Ozzy bottle. The lens in "Patiner's Eye" (Patiner is a Flemish painter de Brunhoff admires) was given by a photographer friend; de Brunhoff had to wait for the hunting season to gather the pheasants' feathers that surround it.

Eve was discovered in England, a green egg of Murano glass unearthed in Minneapolis, bits of moss come

from Yucatán. The bird's wings above Venus were found on the west coast of Scotland and the gannet's feet in "Homage to Buñuel," which pays ample respect to the master's shoe fetish, came from a dead seabird that de Brunhoff found on the Ile de Ré and kept in her freezer until she had learned to stuff it. Japanese and taxidermy, she claims, are the only subjects she has studied.

Novelist friends help in the search. Marie Chaix brought shells from Key West, Diane Johnson got barnacles in London, Edmund White wrote the preface to the catalogue and went with her to Vesuvius. The pervasive inspiration is swimming and the sea. "Going to a Jam Session on a Sunday Afternoon" features a mermaid and fish as well as a toy trumpet from Conran's. "Anything can happen under water," de Brunhoff says.

Anything can indeed happen or seem to happen. Even a straightforward scene in which Aeneas jilts Dido is as comic as it is fatal. "He's like any man, 'I couldn't help it, my dear,' and you can see he's murderous," de Brunhoff says, and there he is, cocky and complacent in his helmet made of an inverted halogen bulb and plumed with red feathers, seated in a Frank Gehry-style cardboard chair and holding a small black sword.

"It's the assemblage of things that makes them alive. Humor brings them together, it's like vibes between people and suddenly it becomes a story. It's a game, you can do what ever," de Brunhoff says. Motionless Theater is, in a word, play.

## POSTCARD

## The Unlikely Bistros of Hanoi's Nouveaux Riches

By Tim Larimer  
New York Times Service

HANOI — Everyday at lunchtime, members of Hanoi's emerging wealthy class descend upon a restaurant where they are charged inflated prices and wait 30 minutes for a table to eat peasant food served by nude waitresses in a shell of a building dirty with dust and debris.

The restaurant, Com Nieu, is one of the trendiest places in town and a stroll away from Ho Chi Minh's mausoleum. And it is riding the wave of new prosperity that is turning Hanoi, once a bastion of communism, into a den of consumerism.

Here, wealthy people park their shiny new \$3,000 motorcycles and clip on their telephone beepers to peruse a menu that includes catfish fried in a sweetened fish sauce, tofu with a spicy sauce of chilis, wild boar grilled on skewers and, the specialty

of the house that gives the restaurant its name, rice cooked slowly in terra-cotta pots.

"Our grandparents ate this traditional food, but then it disappeared and we only heard about it," said Vu Minh Hien, a 33-year-old tennis coach. "During the war we were all poor. Later we started to think about buying new houses, new clothes, a new TV. Only now do we stop to think about the kind of food we have missed for so long."

For all of the Vietnam War and most of the two decades since, finding food was a survival skill in Hanoi.

Even young college students remember standing in line for their family's rations of rice and meat. On the rare occasions when market stalls were stocked with food, many people were reluctant to buy it for fear they would raise suspicions about where they got their money.

Even finding a decent bowl of pho, a noodle soup with meat that is a staple of the Vietnamese diet, was nearly impossible.

"The police would come and confiscate all of my pots," said Dao Thi Thinh, purveyor of some of Hanoi's most popular pho.

Now, 10 years after the country's leaders embarked on an economic reform program that gutted much of the tenets of Communism, restaurant cuisine has emerged from the back alleys. Food is abundant, at least in the cities like Hanoi. Pho stands as common as McDonald's franchises in America.

A boisterous restaurant scene has sprung up, featuring for the first time the regional cuisines of Saigon and Hue and specialties like snake and wild game. Lunch with beer at Com Nieu, for example, costs the equivalent of about \$10, compared with \$2 for two bowls of pho and beer.

## WEATHER

Forecast for Sunday through Tuesday, as provided by Accu-Weather.

Europe									
City	Today	High	Low	High	Low	High	Low	High	Low
Amsterdam	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
London	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Paris	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Berlin	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Munich	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Frankfurt	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Brussels	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Stockholm	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Helsinki	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Oslo	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Warsaw	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Prague	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Vienna	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Budapest	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Belgrade	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Sofia	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Thessaloniki	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Atenas	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Jerusalem	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Tel Aviv	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Beirut	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Amman	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Riyadh	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Dhaka	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Colombo	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Manila	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Bangkok	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Hanoi	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Haiphong	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Yokohama	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Tokyo	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Seoul	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Manila	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Calcutta	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Mumbai	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Delhi	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Chennai	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Madras	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Bombay	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Calcutta	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Delhi	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Chennai	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Madras	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Bombay	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Calcutta	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Delhi	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Chennai	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Madras	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Bombay	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Calcutta	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Delhi	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Chennai	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Madras	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Bombay	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Calcutta	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Delhi	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Chennai	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Madras	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Bombay	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Calcutta	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Delhi	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Chennai	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Madras	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Bombay	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Calcutta	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Delhi	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Chennai	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Madras	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Bombay	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Calcutta	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11
Delhi	15/11	16/11	10/11	16/11	10/11	16/11	10/11	16/11	10/11